Denmark Dkr9.00	Kuwait Fils500	Sweden SKr8.00
Egypt ...... E£2.25	Lebanon $L125.00	Switzerland SFr2.20
Finland Fmk7.00	Luxembourg LFr48	Taiwan ...... NT$65
France FFr6.50	Malaysia Rin4.25	Thailand Bt50
Germany DM2.20	Mexico Pes300	Tunisia Din0.800
Greece Dr100	Morocco Dh6.00	Turkey L500
Hong Kong ...... HK$12	Netherlands Fl3.00	UAE Dh6.50
India Rup15	Norway Nkr8.00	USA $1.00

FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

No. 30,386 | Thursday November 12 1987 | D 8523 A

Japan: Survival in land of the rising yen, Page 20

World News | Business Summary

UK warns farmers of threats to market

Farmers within and outside the European Community must learn to live with free-market discipline or else risk a collapse of political support for maintaining their livelihoods, UK Foreign Secretary Sir Geoffrey Howe said in Bonn.

Growing farm surpluses, soaring costs and large-scale dumping "bid fair to destroy the world agricultural market," he said. **Page 2**

Call for FAO reforms

Britain delivered an outspoken call for reforms of the administration of the the UN's Food and Agriculture Organisation in Rome. **Page 2**

Reagan tries again

President Ronald Reagan announced he would nominate federal appeals court judge Anthony Kennedy to fill a vacancy on the US Supreme Court - the President's third attempt to fill the seat left vacant on Justice Lewis Powell's retirement in June. **Page 5**

Japan warns US

Japan warned the US to remove $165m of tariffs still imposed on its electronic goods or face a Gatt dispute panel. **Japan to resist Gatt call, Page 6**

27 killed in Sri Lanka

At least 27 people were killed in guerrilla violence in Sri Lanka and Agriculture Minister Gamani Jayasuriya said he was resigning in protest against a plan to create a unified autonomous region for Tamils. **Page 4**

Beirut airport bomb

A bomb exploded at Beirut International airport, killing at least five people and wounding more than 50.

Bangladesh arrests

Police detained both of Bangladesh's main opposition leaders and 50 protestors were injured during a protest against police shootings on Tuesday at anti-government demonstrations. **Page 4**

Iranians attack tanker

Iranian revolutionary guards launched rocket-propelled grenades from two gunboats and slightly damaged a Japanese-owned tanker - flying the Panamanian flag - which was following an American convoy in the southern Gulf.

US shuns Ortega plan

The US dismissed a proposal by Nicaraguan President Daniel Ortega for talks with President Ronald Reagan at which US-backed Contra rebels would be present.

Romania cuts energy

Romania ordered 30 per cent cuts in gas and electricity supplies to private and non-productive energy consumers.

Schoolgirls shot

Two Palestinian schoolgirls were shot and wounded in the Israeli-occupied Gaza strip by an Israeli whose car was being stoned by schoolgirls protesting against the killing of another girl on Tuesday. **Page 4**

AIDS penalty

Authorities in the Soviet Central Asian republic of Tadzhikistan set a prison term of up to eight years for people who infected others with AIDS.

Paper-thin batteries

A new battery for domestic appliances which is as thin and flexible as paper was unveiled by two Japanese companies.

Colonial ties

Zimbabwe's House of Assembly Speaker told parliamentarians to dress "as well, if not better than the colonialists" when attending parliament - after a minister was ordered out of the debating chamber for not wearing a tie.

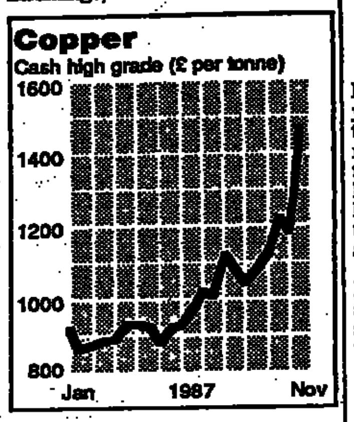
Wood Gundy quits Eurotunnel project

WOOD GUNDY, Canadian investment house which took heavy losses on its part in underwriting the BP share issue, has pulled out of underwriting the £770m ($1.3bn) share offer about to be launched by Eurotunnel, the Anglo-French group building the Channel Tunnel.

BRITISH STEEL Corporation is to be privatised before Britain's next general election, the Government said, after the sharp improvement in the corporation's profits and financial position. **Page 9**

COPPER closed at £1,470 ($2,616) on the London Metals Exchange, still £62.50 ahead of Tuesday's close. The three month price ended £28.50 up at £1,203.50 a tonne. **Commodities, Page 32**

Copper
Cash high grade (£ per tonne)



WALL STREET: The Dow Jones industrial average closed up 21.05 at 1899.20. **Page 44**

LONDON: Cheered by President Reagan's remark that the dollar had risen enough, equities posted a strong rally. The FT-SE 100 index closed up 65.8 to 1,639.3, while the FT Ordinary index finished 43.1 higher at 1,290.0. **Details Page 40**

TOKYO: After a firm opening, equities plunged but closed off their lows after late intervention by big securities houses. The Nikkei average closed down 649.70 at 1,936.76. **Page 44**

SOUTHLAND Corporation, large Dallas-based owner of the 7-Eleven chain of convenience stores, has again failed to raise $4bn in bank and junk bond finance needed to complete a controversial leveraged buyout by the founding Thompson family. **Page 21**

OLYMPIA & YORK, privately held real estate and resources group controlled by Toronto's Reichmann brothers, has boosted its stake in Campeau, Canadian property developer, to about 8 per cent of outstanding subordinate voting shares **Page 21.**

AMERICAN Telephone and Telegraph has announced a sharp acceleration of its expansion plans for its worldwide digital long-distance telecommunications network, aimed at nearly doubling the network. **Page 21**

DOLLAR was firm in quiet European trading, with most US banks closed for Veteran's Day and ended the day at DM1.6760 (DM1.6650); FFr5.6850 (FFr5.6525); SFr1.3750 (SFr1.3650); Y135.25 (Y134.50). **Page 33**

STERLING lost 70 points to $1.7785-1.7795; DM2.9825 (DM2.9725); FFr10.1125 (FFr10.0950); SFr2.4450 (SFr2.4375); Y240.50 (Y240.25). **Page 33**

FIAT, Turin-based car maker and conglomerate, plans to regroup several of its earthmoving equipment and agricultural machinery subsidiaries in a new holding company to be called Fiatgeotech.

AON, US insurance group, expects improved year-end results but is increasing some health insurance rates to stem third-quarter losses in group medical and Medicare supplement insurance.

CHRISTEX Familienstiftung, Liechtenstein-based family corporation, has had judgment reserved by a Canadian court on a C$1.2m (US$900,000) lawsuit it brought on **Dome Petroleum** seeking repayment of 24 unsecured Swiss franc 6 per cent notes.

Gorbachev sacks leading advocate of rapid Soviet reforms

BY CATHERINE MCELHINNEY IN MOSCOW

MR BORIS YELTSIN, one of the most outspoken advocates of rapid reforms in the Soviet Union, was sacked yesterday as head of the Moscow Communist Party for "serious shortcomings".

His removal comes exactly three weeks after a meeting of the Central Committee of the Party at which he made an outspoken attack on senior Politburo members over the slow pace of the economic reform programme initiated by Mr Mikhail Gorbachev, the Soviet leader.

His criticisms were felt to have been particularly directed against Mr Yegor Ligachev, number two in the Politburo, and to some extent against Mr Gorbachev himself.

Mr Yeltsin, a non-voting member of the Politburo and a long time protege of the Soviet leader, may lose his Politburo post when the matter is considered by the Soviet party's 300-member Central Committee.

His sacking will be seen as a blow to Mr Gorbachev, who had promoted Mr Yeltsin from his previous position as party Chief in the industrial city of Sverdlovsk in an attempt to revitalise the capital's administration.

Mr Yeltsin, 56, quickly established a reputation as a tough administrator determined to revamp Moscow city services riddled with corruption and inefficiency after two decades under his predecessor Mr Victor Grishin.

The announcement of his ousting, which had been the subject of speculation since Soviet party officials confirmed the internal dispute 12 days ago, came in a terse television statement that a new Moscow Party Chief had been appointed.

Mr Lev Zaikov, the new Moscow part chief, is a full member of the ruling Politburo and ranks number three after Mr Gorbachev and Mr Ligachev. Mr Zaikov is also a strong supporter of Mr Gorbachev's reforms and another of the proteges moved into key positions by the Soviet leader.

The appointment was decided at a meeting of the Moscow Party attended by both Mr Gorbachev and Mr Ligachev.

Announcing the change Soviet television said: "The City party (Communist party) plenum approved of the decision of the Central Committee Plenum which found Yeltsin's speech at the (October 21 meeting) a political mistake. It dismissed him from the post of the first Secretary from the City Party Committee because of serious mistakes in his leadership of the Moscow Party organisation."

Although known to be a protege of the Soviet leader Mr Yeltsin had been passed over for promotion several times and western diplomats assumed Mr Gorbachev had failed to rally enough support for his promotion.

Rumours of a battle inside the leadership over the pace and extent of reform have spread quickly through Moscow in recent weeks, and in a rare breach of the secrecy that normally surrounds party deliberations, Mr Anatoly Lukyanov, Secretary of the Central Committee confirmed the dispute.

British Airways wins clearance to renew takeover bid for BCal

BY MICHAEL DONNE AND CLAY HARRIS IN LONDON

BRITISH Airways was cleared yesterday to proceed with a new takeover offer for British Caledonian Airways, under revised terms approved by the Monopolies and Mergers Commission. Lord King, BA chairman, said the bid would definitely go ahead.

The commission's report published yesterday concluded that a takeover under revised proposals submitted by BA, in an effort to reduce the anti-competitive nature of the proposed link, would not operate against the public interest. The original bid would have been unacceptable, the commission said.

The proposals, which were not revealed to other parties for comment during the commission's three-month inquiry, are likely to change the entire routes pattern of UK domestic and international air transport, opening the way for other UK airlines to compete with the combined BA-BCal.

BA would be allowed to keep all of BCal's intercontinental routes but would give up licences on five domestic and three European routes, pending re-application for all of them. It would also give up a minimum of 5,000 runway "slots" at Gatwick, fewer than 10 per cent of the combined group's total for scheduled and charter flights.

Lord Young, Secretary of State for Trade and Industry, was obliged to allow the bid to proceed after it received the commission's backing. Although BA is not legally bound to fulfil the conditions it put forward, Lord Young said he would refer the matter back to the commission if there was any suggestion that BA was reneging on the terms.

Lord King stressed BA's determination to proceed. "We look forward to a speedy merger of BA and BCal which is in the best interests of shareholders, staff, the travelling public and the country," he declared.

PROPOSED ROUTE LICENCE CHANGES

- **BCal's licences between Gatwick and Paris, Brussels and Nice to be surrendered.**
- **BCal's licences will be surrendered for routes which it does not at present operate between Gatwick and Athens, Copenhagen, Hamburg, Oslo, Rome, Stockholm and Stuttgart.**
- **BCal's UK and Channel Island licences to be surrendered.**
- **BA/BCal will reserve the right to reapply for all the above routes on equal terms with other airlines.**
- **BA will withdraw BCal's pending appeals against the granting of licences to Air Europe for routes between Gatwick and Amsterdam, Brussels, Copenhagen, Frankfurt, Geneva, Munich, Paris and Zurich.**
- **BA will not oppose bids by other airlines on long-haul routes where "dual" or "multiple designation" applies, including all Western European routes except Italy and possibly Portugal; all routes to the US and Canada; and all routes to the UAE, Qatar and Bahrain.**
- **BA will submit to a review by the Civil Aviation Authority of all BCal routes, to see whether further British competition on them is desirable.**

The proposal was less well received by competing independent UK airlines. Mr Harry Goodman, chairman of International Leisure Group, owner of Air Europe, claimed that BA's interpretation of the conditions was at odds with that of the Department and Trade and Industry.

He was especially critical of BA's intention to continue to operate under temporary licences several European routes which it had agreed to give up as part of the deal. BA's agreement to withdraw BCal's objection to Air Europe's licences on eight routes was meaningless if there were insufficient runway slots and air traffic capacity to operate them, Mr Goodman said.

BA's new offer must be made within 21 days. Lord King said: "The only thing that matters is the price," but would not be drawn on the amount. "We will endeavour to come up with an offer that is acceptable to BCal," he added.

Sir Adam Thomson, BCal chairman, was more cautious. "If they come up with the same offer as before, then the deal is on," he said. "If they do not, well, we shall have to wait and see."

He stressed that BCal was still talking to other potential partners and could still form an association elsewhere if the new offer failed. It is generally accepted, however, that in the wake of the market crash, the new offer will be worth considerably less than the £237m ($422m) originally offered by BA.

The commission's decision to approve the merger has been endorsed by the Civil Aviation Authority, which will have the task of overseeing its smooth implementation

All scheduled flights of the combined group would operate under the British Airways name, while British Caledonian would be the charter carrier, taking in British Airtours, the BA subsidiary.

BA yesterday announced a pre-tax profit of £232m for the six months to September 30. **Details, Page 10; Parliament, Page 12; Editorial Comment, Page 18; Lex, Page 20; BA results, Page 26; Market Report, Page 44.**

US budget talks may be near to accord

By Stewart Fleming, US Editor, in Washington

CONGRESSIONAL and White House budget negotiators were optimistic yesterday about the prospects of reaching a deficit reduction accord this week.

The participants, including Mr James Baker, the US Treasury Secretary, and senior Democrats and Republicans in Congress, sat down to what was expected to be a lengthy 13th day of talks.

Mr Robert Michel, the Republican minority leader, said as he went into the meeting: "We are not terribly far apart."

Senator Bennett Johnston, a Democrat from Louisiana, believed the negotiators could reach the "broad outlines" of an agreement during the day but that it would be difficult to resolve details.

A major sticking point remains the role of taxes in the final package. Democrats have proposed raising $12bn of taxes but conservative Republicans, who, with President Ronald Reagan's support have been resisting tax increases, are insisting that such a rise represents too big a proportion of the package.

On Tuesday Democrats proposed a $33.7bn deficit reduction package for 1988, rising to $54.9bn in 1989. However, some of the components are not regarded by many budget experts as measures which reduce the deficit on a long-term basis.

Once the final package is agreed, and some agreement is looking increasingly likely, analysts said it will focus not only on the size of the deficit reductions and how real the projected savings are, but also the likelihood that Congress will implement them.

Separate reports yesterday quoted Federal Reserve Board officials as saying that the Board was unlikely to take further steps to lower interest rates or reduce its discount rate below 6 per cent.

A deficit reduction package is necessary to reassure the financial markets about Washington's determination

London shares surge Page 20

Iraqi President Saddam Hussein (left) with his foreign minister Tariq Aziz at yesterday's final session

Arab leaders condemn Iran

BY TONY WALKER IN AMMAN

ARAB LEADERS yesterday unanimously condemned Iran's continuing refusal to agree to an immediate ceasefire in the Gulf War and expressed support for Iraq.

In a surprisingly tough communique at the end of an emergency four-day summit in Amman, Arab heads of state censured Iran for occupying Iraqi territory and its "procrastination" over a United Nations ceasefire call.

The Amman summit also opened the way for Arab states to resume relations with Egypt, broken off in 1979 after Cairo signed the peace treaty with Israel. As a result of the talks, several Arab states - including most Gulf countries - are expected to resume full diplomatic relations with Egypt shortly. The United Arab Emirates was the first to announce it would do so.

Representatives of the 21 Arab states participating in the summit convened by King Hussein of Jordan were specific in their condemnation of Iran, citing its "provocations and aggressions" in the Gulf region.

The final communique read out by General Chadli Klibi, Arab League Secretary, expressed strong support for Saudi Arabia and Kuwait in the face of Iranian threats. The summit also supported an international Middle East peace conference, "with the participation of all parties concerned," including the Palestine Liberation Organisation, on an equal footing.

The latter provision was important to the PLO because it answers one of its principal concerns - that it might be squeezed out of a primary role in peace negotiations.

The Arab summit will inevitably be seen in terms of winners and losers. Syria appears to have suffered a reverse over its inability to prevent most Arab states from resuming relations with Egypt. The firm tone of the resolution condemning Iran may also be seen as a setback for Syria, one of the few Arab states to maintain cordial relations with Tehran.

But President Hafez al-Assad of Syria is certain to have exacted a price for his endorsement of the strongly worded final resolution. Reports have been circulating in Amman that the Syrian leader received

Continued on Page 20

South Africans clashed with Soviet bloc troops

BY ANTHONY ROBINSON IN JOHANNESBURG

SOUTH AFRICAN forces clashed directly with Soviet and Cuban forces on the ground and in the air earlier this month in southern Angola, General Jannie Geldenhuys, chief of the South African Defence Force announced yesterday.

The clash, described as a "limited action", appears to have been the first direct conflict between South African and Soviet bloc forces since Operation Protea mounted by South Africa towards the end of 1981 in support of rebel Unita forces in Angola.

The decision by both sides to intervene on behalf of their respective allies reflects their assessment of the high stakes involved. Military officers in South Africa believe that if the current dry season offensive against Unita by the Angolan Government backed by the Cubans fails, the Soviet Union would switch instead to a diplomatic effort to secure a negotiated settlement to the civil war that has been raging since 1977.

This, Pretoria hopes, would focus on the withdrawal of Cuban and other Soviet bloc forces and the formation of a coalition government which would include Dr Jonas Savimbi, the Unita leader. Such a suggestion has so far been rejected by the Angolan Government of President Eduardo dos Santos.

According to General Geldenhuys, "Russians and Cubans using tanks, sophisticated ground-to-air missiles and fighter aircraft, including MiG 23s and attack helicopters, entered the battle after Angolan Government forces were badly beaten by Unita and suffered serious setbacks." Last month, Unita claimed that four army brigades totalling 18,200 men backed up by armour and air cover, and controlled by a Soviet general, Konstantin Shagnovitch, had been forced to retreat along the line of the Lomba river, 25 miles north of the strategic Unita airstrip and base at Mavinga in southern Angola's Cuando-Cubango province.

Angola counter-claimed that South African aircraft and troops had taken part in the battle and that Angola had shot down several South African Mirage aircraft, claims denied by South Africa.

Angolan Government forces suffered a similar defeat in September 1985, but were able to withdraw to their base camp at Cuito Cuanavale after heavy losses. This time Soviet and Cuban forces appear to have been called in to prevent a rout. According to the South African version, this prompted South African intervention.

General Geldenhuys linked the intervention of South African and South West African Territorial Force units to the long running war against Swapo guerrillas several hundred miles to the west.

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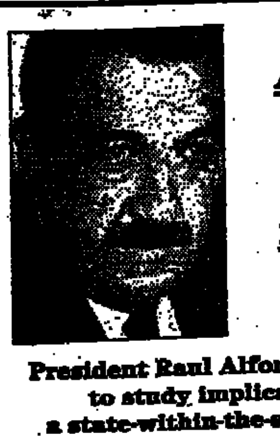

President Raul Alfonsin will have to study implications of a state-within-the-state, Page 5

ARGENTINE MURDER OPENS A PANDORA'S BOX

EUROPEAN NEWS

Hilary Barnes explains why Denmark's attitude to agricultural reform is so cautious

Danish farmers lose their political clout

AGRICULTURE IN THE EC
DENMARK

DANISH farmers' organisations do not accept the EC Commission's price reform proposals for the Common Agricultural Policy. They feel the issue is international rather than European and that problems of trade in agricultural products can only be satisfactorily solved in co-operation with other major agricultural exporting nations.

This is not just a refusal by the organisations to be seen to be negotiating reductions in income for their members, or a reflection of the fact that Mr H. Kjeldsen, the Danish farmers' leader, is also president of Copa, the European farmers' organisation, and must be seen to be taking a tough line on behalf of European farmers.

The stance also reflects an important aspect of the Danish situation. Agriculture accounts for 22 per cent of merchandise exports and exports to third (non-EC) countries play a much larger role than they do for most other member countries.

Some 63 per cent of Danish agricultural products, by value, are exported, and 37 per cent of the exports are sent to third countries. The US is the biggest single market for canned meat; exports of pigmeat to Japan are now as valuable as exports of bacon to Britain; Iran is second to Germany as a market for cheese (in tonnage it is the biggest market); third world countries buy the bulk of Danish powdered milk products.

Danish dairy exports, which accounted last year for about a quarter of agricultural exports, have contributed only on rare occasions to the EC butter mountain, as the industry is able to export everything it can produce and more.

The reductions in milk production following the imposition of CAP restrictions means that the dairies are short of milk and are now talking of importing either raw milk or milk powder from other EC countries to enable them to meet the export demand for cheese in particular.

This, of course, might be helpful to Denmark's chronic deficit on the current balance of payments but would not help the EC budget, as third country exports are also subsidised through the CAP system of export restitution payments, which make up the difference between the European price and the world market price.

The days have gone when Danish export interests were more or less identical with those of the farmers and their powerful organisations, grouped under an umbrella organisation called the Agricultural Council. All the main farm organisations are members of the council, which carries considerable clout not only because of its broad base but also because it has a highly competent staff.

But as a political pressure group, farmers are not the power they once were. Farmers constitute only about 4.3 per cent of the population and the Liberal Party, through which they have traditionally channelled their influence, in recent years has won only about 12 per cent of the vote.

The Liberals participate in the four-party, non-Socialist minority coalition, and since the present coalition came into office in 1982 the Minister of Agriculture has been a Liberal, but not always a farmer. The current minister, Mr Laurids Toernaes, who was appointed after the election to the *Folketing* (parliament) in September this year, was previously the chairman of the main fisheries organisation.

The spiralling costs of the common agricultural policy threaten to undermine the European Community's attempts to provide a sounder basis for its future financing, the central issue at the heads of government summit in Copenhagen on December 4-5. In the fourth of a series of articles from national capitals, we look at the political, economic and social factors influencing individual governments on the farm issue

The farmers themselves feel they are far from having their rightful share of influence on public and political opinion. They feel they are being pilloried on the issues of pollution and the maltreatment of animals.

As far as they are concerned, the squabble over CAP prices and the EC budget is only one of several threats to their livelihood, and not necessarily the most crucial one.

Pig and dairy farmers have been subjected to rigorous environmental restrictions calling for substantial investments by the farmers to reduce pollution from the 9.3m pigs (the human population is 5.1m) and 2.4m cattle and from the use of artificial fertiliser (which they must reduce from 400,00 tonnes a year in 1984-85 to 250,000 tonnes by 1990).

The farmers' latest concern is that a *Folketing* more concerned for animal welfare than a competitive agriculture will enforce restrictions on the pig producers - such as banning the tethering of sows to prevent piglets from being squashed, or minimum space requirements for bacon pigs - which would prevent them from competing on equal terms with producers in other countries.

The squeals being emitted by the leaders of the pig producers' organisations are premature, as the feared restrictions are at an early stage of discussion. But there are precedents which suggest that their concern is not without foundation. Minimum space requirements for battery hens, imposed last year, were out of line with regulations in the rest of Europe. The result is that Denmark, for the first time, is now a substantial importer of eggs and Danish egg producers are being severely squeezed.

The Government's position on CAP reform does not follow the farmers' rejectionist line. One good reason is that Denmark holds the presidency and Prime Minister Poul Schlueter would naturally like to be able to preside over a successful summit in Copenhagen in early December.

Agricultural exports, accounting for 22 per cent of total merchandise exports (including canned meat, powdered milk and mink pelts, but excluding sugar and malt), are of crucial importance to the Danish economy. It is therefore of vital interest that the CAP should not break down and that its basic principles should be retained.

From this it follows that the need for budget discipline is accepted

From Denmark's point of view, the introduction of national quotas or the dissolution of the CAP under the pressure of the introduction of national *subsidies* must be avoided at all costs.

In the Ministry of Agriculture in Copenhagen the mood is not one of despair. "We are reasonably optimistic that the ministers of agriculture will agree on proposals which we can hand on to the Council," said Mr Soeren Soerensen, one of the ministry's senior negotiators.

Previous articles in this series appeared on October 29, November 4,6

Britain keeps up the pressure for reform at FAO

BY JOHN WYLES IN ROME

AN OUTSPOKEN call for organisational reforms at the UN's Food and Agriculture Organisation was delivered here yesterday by Mr Chris Patten, Britain's Minister for Overseas Development.

In a speech to the FAO's biennial general conference, he signalled that the donor countries will continue their battle for changes in the UN agency despite their failure on Monday to unseat the director-general, Mr Edouard Saouma.

Britain, the US, Canada and other donors blame Mr Saouma's 12 years at the helm for many of FAO's present shortcomings. However, now that the Lebanese director-general has secured a third six-year term, they are having to rethink their strategy.

Their main push is behind a proposal from the Nordic countries, to be voted on next week, for a high level *independent study of* the FAO's structure, together with a professional management review. Among other things, the donors feel that a 7,500-strong staff in Rome and just 2,500 on the ground in developing countries implies false priorities and top-heavy administration.

Arguing that "radical rethinking is now spreading right across the UN system" which "cannot be stopped at the Baths of Caracalla" (the location of the FAO's headquarters in Rome), Mr Patten said that the conference of 158 member countries should approve proposals "which will take the FAO to reconstruction and a more positive and central role in the 21st century."

Britain, he said, hoped that the proposed independent study "will lead to a much stronger country focus, and a clearer identification of priorities in the budget and the programme of work."

Management and manpower structures and procedures should be overhauled, he added.

He was strongly critical of Mr Saouma's budget proposals for 1988-89. While the director-general regards them as austere in the extreme, Mr Patten said that the case for an increase from \$427m (1986-87 budget) to \$510m "is far from convincing."

Stressing the need to rekindle the FAO dream, Mr Patten said the agency needed to be respected for the advice and support it gave its members. It needed to set an example "by its impact on the ground, by the leanness and strength of its management, and by the enthusiasm of its co-operation with others."

Howe warns EC on farm policy risk

By David Marsh in Bonn

FARMERS must learn to live with free-market discipline or else risk a collapse of political support maintaining their livelihoods, Sir Geoffrey Howe, the British Foreign Secretary, said last night.

In a hard-hitting speech setting down the need for market discipline to solve the EC's agricultural crisis, Sir Geoffrey said rising farm surpluses, soaring costs and large-scale dumping could destroy the world agricultural market.

Sir Geoffrey's speech, before the German Foreign Policy Society in Bonn, represented a clear challenge for the West German Government, which is strongly resisting the idea of further farm price cuts to bring the Community's agricultural production back into balance.

His remarks were intended to lay down a marker for the crucial Community summit next month in Copenhagen, at which EC leaders will again be wrestling to cut back the excess European farm production at the heart of the Community's financial problems.

Before the speech, Sir Geoffrey said the Community had to "strain every muscle" to reach agreement at Copenhagen but gave only a cautious assessment of whether he thought it could be achieved. He was careful to point out that price cuts needed to be applied with other policies such as quotas and automatic output "stabilisers" to limit costs and cut back production.

Mr Hans-Dietrich Genscher, the West German Foreign Minister, whom Sir Geoffrey saw earlier in the day, agreed that the EC's farm crisis "should be solved," Sir Geoffrey said.

Mr Genscher, like the rest of the Bonn Government, is known to be adopting an uncompromising line on resisting further price cuts for German cereal farmers, who are already complaining bitterly after suffering big imposed price reductions in the past four years.

But Sir Geoffrey said that it was a "natural German inclination" to want to clinch accord at Copenhagen before Bonn took over the onerous task of the Community presidency in the first six months of 1988.

Interview with UK Agriculture Minister, Page 18

FINANCIAL TIMES
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Prague denial angers Norway

BY KAREN FOSSLI IN OSLO

NORWAY SAYS that the denial by Czechoslavak officials of involvement in an "eavesdropping operation" recently discovered in the Norwegian embassy in Prague represents a further deterioration in relations between the two countries since the discovery was made.

Norwegian authorities have revealed a large bugging operation in which between 10 and 20 microphones were discovered in its embassy Czechoslavakia.

During the concluding phase of the renovation of the embassy building a Norwegian technical surveillance team discovered several microphones located in various "important rooms" of the premises which "were connected to cables leading outside the building," said Mr Per Paust, the Norwegian Foreign Ministry spokesman.

He said that the operation was very advanced but that the Norwegian authorities believed that it could not have been in operation for too long, although they could not be sure when it was established.

On Tuesday the Czechoslavak ambassador in Oslo was summoned to the Norwegian Foreign Ministry where strong protests were delivered by Norwegian officials about the bugging operation.

Oslo officials say that the bugging operation represents a serious breach of rules of the Vienna Convention on diplomatic relations and that it hampered the building of stronger East-West relations.

They also say, however, that Norway is not intending at this time to break off diplomatic relations with Czechoslavakia but that in the next few days they will assess their next move in the matter. "The relations and dialogue between Norway and Czechoslavakia have been made complicated by this discovery and further by the denial," said Mr Paust.

France loses textiles aid battle

BY WILLIAM DAWKINS IN BRUSSELS

TOUGH EC restrictions on state aid to the textile industry yesterday received legal support from the European Court of Justice in Luxembourg. It turned down an appeal by the French Government against a ban on textiles aid imposed by the European Commission. Its judgment strenthens the Brussels authorities' hand in their three-year-old campaign against state assistance likely to distort fair competition in textiles.

The decision also comes as a relief for the Commission, which only three weeks ago lost an attempt in the European Court to ban a West German regional aid scheme on the grounds that its case was badly prepared. Ironically, Brussels was supported in yesterday's case by the West German state government, which, unlike the country's regional authorities, is a staunch opponent of industrial aid.

Brussels originally vetoed national textiles aids schemes in Britain, France and Belgium two years ago for giving their beneficiaries an unfair advantage over unsubsidised competitors and having inadequate social justification.

The French scheme was by far the largest, representing annual loan subsidies of FFr150m (£15m) to FFr200m (£20m), around half of all textile aid awarded by EC governments. Paris was the only Government to appeal, arguing that the Commission had not given it a proper hearing and that its scheme was intended to help badly needed technology investment rather than to subsidise production.

The Court, however, accepted the Commission's contention that the French Government had already been allowed to disburse a disproportionately large share of state aid for the sector and that the textiles industry had recovered enough to get on without public help.

Budget puts Goria coalition in jeopardy

BY JOHN WYLES IN ROME

ITALIAN POLITICS last night returned to familiar terrain - a weak coalition facing its downfall after less than four months in office because one member (the Liberal Party) is threatening to walk out.

As an additional harassment for the young and inexperienced Christian Democrat Prime Minister, Mr Giovanni Goria, the three largest union confederations yesterday called a four-hour general strike on November 25, the first since a two-hour protest in 1985.

The spark which has ignited union action and the threatened Liberal withdrawal is an injection of rigour into the Government's 1988 budget proposals. Unaware that the Liberals were opening a trap door under him, Mr Goria outlined substantial changes in the budget on Tuesday evening aimed at reducing the budget deficit from the earlier target of L109,500bn ($50bn) to L103,500bn (£47bn).

He insisted that the risk of higher inflation and recent market turbulence required the Government to shelve both tax reductions and rises in VAT rates.

Having more or less prepared its exit, the Liberal leadership yesterday postponed a final decision after Mr Goria called a meeting for tomorrow of the secretaries of the coalition parties. But Mr Renato Altissimo, the Liberal secretary, left little room *for manoeuvre by insisting on* fundamental changes to the budget strategy to bring it into line with the policy agreements on which the coalition was formed in July.

Mr Goria denied this was bound to mean another internal negotiation on the budget, which has been retouched almost as many times since it was presented *at the end of September as* the restored ceiling of the Sistine Chapel. His Treasury Minister, the Socialist Mr Giuliano Amato, added that there could not be a budget for every day of the week.

Mr Altissimo says that the decision to postpone income tax cuts for a year breaches undertakings given in the Government's policy programme. He claims that the whole thrust of the budget is to increase payments to the state in one form or another without any effective action against wasteful spending.

If the Liberals do leave, the Government would still retain a majority, but very little of the authority with which to pilot its budget through Parliament. Mr Goria's resignation would therefore seem likely, and the resulting crisis could deny the country economic direction for several weeks and, *more immediately*, President Francesco Cossiga his state visit to London next week.

With industry and agriculture also lined up against the budget proposals for their alleged failure to improve competitiveness, and the unions complaining about the inadequacy of expenditure on job creation and development in the Mezzogiorno, there is clearly very little consensus upon which the Government can build its position.

PEACE MARCH: French soldiers dressed in First World War uniforms march past the Arc de Triomphe in Paris during ceremonies yesterday commemorating the signing of the armistice ending the 1914-18 conflict.

Cut in British rebate from EC proposed

BY QUENTIN PEEL IN BRUSSELS

DETAILED PROPOSALS for a system of British compensation from the EC budget, which could cut the UK budget rebate by up to Ecu1bn (£700m) a year, were approved by the European Commission yesterday.

The plans are likely to be the most politically explosive part of the EC financial reform package *to be negotiated by heads of government* at their summit in Copenhagen next month.

Mr Henning Christophersen, the Budget Commissioner, insisted yesterday that the proposals, which would give Britain a repayment of contributions based entirely on the level of farm spending, would be "grossly equivalent" to the present system *negotiated at the Fontainebleau* summit in 1984.

However, British officials insist that it is likely to mean UK contributions will rise by around Ecu1bn a year - and therefore be rejected out of hand by Mrs Margaret Thatcher, the British Prime Minister.

The plan also proposes that only seven of the other 11 member states will contribute to the compensation, and that of those West Germany will pay a reduced share, putting by far the greatest burden of the cost on France and Italy. That aspect is also likely to prove a serious stumbling block to agreement.

Mr Christophersen said yesterday that the Commission had maintained its proposals exactly as they were first put forward at the beginning of the year, as part of a coherent package. Although the British compensation as such would be reduced, he said, British contributions to the Brussels budget would also be cut if the member states agreed on a new payments system tied to gross national product.

Latest calculations suggest that in the current year, the UK will receive a budget rebate - actually a reduction in next year's payments - of some Ecu2.2bn. That is two thirds of the gap between its share of EC spending, and its share in VAT payments, estimated at Ecu3.4bn, the calculation of compensation as agreed at *Fontainebleau*.

The Commission is proposing to repay 50 per cent of the difference between the UK share in EC gross national product and its share of payments from the Common Agricultural Policy. The low UK take from the farm policy is the key to its large net contribution to Brussels.

If the new calculation were applied to 1987, the British compensation would be only around Ecu1bn, but there would also be a Ecu300m reduction in initial contributions - still an increase of some Ecu900m in final net payments.

Mr Christophersen said that by 1992, the reduction in UK contributions from the new GNP formula would be more like Ecu1.1bn, and its compensation on farm payments some Ecu1.2bn - whereas Fontainebleau would give a total compensation of between Ecu2.5bn and Ecu3bn. That he said would be "grossly equivalent."

Mrs Thatcher has maintained throughout that she will not accept any deal which is not at least as good as the Fontainebleau agreement.

Other member states, led by West Germany and the Netherlands, want to see the British compensation abolished, but they know that Mrs Thatcher can block any increase in overall EC budget contributions until she is satisfied.

Brussels backs air merger

By William Dawkins in Brussels

COMPETITION officials in the European Community yesterday gave a tentative welcome to the conditions set by the UK Monopolies and Mergers Commission for a merger between British Airways and British Caledonian.

The report appeared to answer the European Commission's main concern, that the merger should not restrict smaller carriers' access to routes shared by the two airlines, officials said.

BA's offer to surrender licences on routes from Gatwick to Paris, Brussels and Nice is expected to deflect many of the Commission's worries.

However, the Commission wants to study the report in more detail before giving *its formal view.*

Mr Peter Sutherland, the Competition Commissioner, is expected to say whether or not Brussels will give its blessing to the merger "shortly," said an official.

The Commission does not have formal powers to vet big takeovers in advance, although it is pressing to get member states to agree to a merger control policy.

An official said: "We have no prerogative to give the green light, but we can look at the likely impact on the common market. If there is an impact, we can then do something."

European semiconductor market faces nil growth

BY TERRY DODSWORTH

EUROPE'S semiconductor market *will show zero growth this* year, and is likely to expand at a much slower rate than the rest of the world next year.

These are among the main conclusions of the latest survey of the European semiconductor industry by Motorola, the US electronics group. The company expects European sales growth in local currency terms to expand to *just over 8* per cent this year, well behind the 20 per cent it is predicting in the US and the 16 per cent in Japan.

The zero growth experienced in Europe in 1987 compares with much more optimistic forecasts at the beginning of the year when the market was expected to rise by around 10 per cent. These projections have been undermined by a slump in West German semiconductor sales, mainly due to delays in telecommunications equipment contracts and general inventory reductions by West German electronic companies because of tougher conditions in their export markets.

Italy has also suffered an *unexpected decline in sales this* year, although both the UK and France have generated increases of almost 10 per cent. All of these four main European markets should grow in 1988, says Motorola, with UK shipments going up by 10.1 per cent in local currency terms, Italian deliveries by 10.3 per cent, French by 9.8 per cent and West German by 7.3 per cent.

According to Motorola, European suppliers are winning back a little market share in their home market at the expense of US manufacturers. Sales by the indigenous companies are expected to amount to 42.9 per cent of European shipments in 1987 against 36 per cent three years ago, mainly because of the help they have had to built up their product lines from government-financed development programmes. The share of US companies in Europe this year is expected to amount to 45.4 per cent, while the Japanese companies are forecast to slip to 10.5 per cent from 11.2 per cent.

Soviet paper attacks psychiatric abuse

BY CATHERINE MCELHINNEY IN MOSCOW

A SOVIET newspaper has launched an outspoken attack on the sensitive issue of psychiatric abuse, which has often led to the imprisoning of healthy people in mental asylums. The article appeared to be part of a continuing campaign to restore credibility in Soviet psychiatry which has often been attacked in the West for its use in the suppression of dissidents.

Komsomolskaya Pravda, the Communist youth newspaper, devoted almost an entire page to an expose of psychiatric abuses. It described the case of a 20-year-old worker in Leningrad who was diagnosed as schizophrenic and committed to a mental hospital after she openly criticized her boss and factory working conditions.

It accused the doctors who committed her of "crude violations" for forcibly committing her even though she was "obviously sound." The article also accused Soviet psychiatrists of administering incapacitating drugs to patients, accepting bribes and being ignorant of modern methods.

The attack on Soviet psychiatric practices is an outgrowth of Mr Mikhail Gorbachev's call for *glasnost* (openness) about a wide range of formerly taboo subjects.

"High, impenetrable fences have for long years shielded psychiatric science and practice from *glasnost*," the newspaper said. "And behind those fences illegality is in progress."

However, the attack also appeared to be a continuation of a Soviet effort to improve the tarnished worldwide image of its psychiatry. Moscow left the World Psychiatric Association in 1983 after allegations that it was using psychiatry to silence political dissent.

More than 20 dissidents have been freed from mental hospitals this year under a general programme of releasing political prisoners. Among the prisoners released from prison camps was Dr Anatoly Koryagin, a psychiatrist jailed in 1981 for publishing an expose entitled "Unwilling Patients."

Dr Koryagin, whose case was championed by Western psychiatrists, estimated in May that 183 people remained in mental institutions because of their political views. Dr Koryagin was allowed to emigrate with his family to Switzerland last April but was stripped of his Soviet citizenship

Bonn urged to act over economic slowdown

By David Marsh in Bonn

THE West German Economics Minister, Mr Martin Bangemann, has urged that Parliament approve swiftly the planned 1990 tax cut programme to offset worries about a slowdown in the economy.

In a letter to Mr Gerhard Stoltenberg, the Finance Minister, he also opposed attempts to cut government spending further to make up for falling tax revenues caused by the sluggish economy.

He stopped short of recommending firmly the earlier introduction of DM20bn (£6.7bn) of tax cuts scheduled for 1990.

Although he regards it as a possibility in the event of a "cumulative downturn" in the economy, he does not think that point has yet been reached, Economics Ministry officials said

According to the officials, Mr Bangemann also proposed *repeal of the stock* exchange turnover tax which has been much criticised by bankers as dampening the competitiveness of West German stock exchanges.

His letter also pleaded for more progress on deregulating the economy and on privatising state enterprises. *On these points*, the Government's performance during its five years in office has lagged well behind the wishes of the Free Democratic Party , the junior partner in the Bonn coalition which controls the Economics Ministry.

The letter is believed to have been inspired by Mr Otto Schlecht, the veteran state secretary at the Economics Ministry. Mr Schlecht, like many private sector economists, believes that part of the 1990 tax cuts could be brought forward to 1989 without raising the West German public sector deficit to dangerously high levels.

The Economics Ministry recognises, however, that the political task of steering the tax cuts through the Bundesrat (the upper house of Parliament) would make the task of earlier enactment of the 1990 tax package very difficult.

Strong yen boosts Japan imports 21%

BY IAN RODGER IN TOKYO

JAPAN'S IMPORTS continued to grow rapidly in October, but the country still reported a trade surplus of $6.8bn on a customs cleared basis.

Imports were up 21.4 per cent to *$13.8bn compared with October* 1986, and imports of manufactured goods, excluding gold and mineral fuels, rose even faster at 28 per cent, according to figures published by Japan's Ministry of Finance.

The trend reflects the impact of the higher yen and measures taken by the Japanese Government to open the country's markets to imports.

Exports were stronger than expected, rising 7.7 per cent to $20.6bn. The result was a 12 per cent decline in the trade balance from October 1986.

Japan's surplus with the US was $4.9bn, unchanged from a year earlier and the second highest level this year.

Exports to the EC rose 18.7 per cent to Y3.3bn, but imports from the EC, which have been rising strongly so far this year, were down 16 per cent to Y1.5bn.

Five killed in Beirut airport bomb explosion

A BOMB hidden in a suitcase went off inside Beirut's crowded international airport yesterday, killing at least five people and wounding more than 50, police reported, **Reuter reports from Beirut.**

The police said that the airport in Syrian-controlled Moslem West Beirut was teeming with hundreds of travellers and their relatives when the bomb exploded.

Among the wounded were children who had come to see relatives leave from the airport, re-opened earlier this week after a five-day strike.

Police said the suitcase with the bomb had apparently been planted by a woman at the entrance to the departure hall.

It was the first attack this year at the airport, Lebanon's main link with the outside world.

Dazed Lebanese rushed to the airport to ask about their relatives.

Police said most of the dead or wounded were airport employees or people who had come to see relatives off on flights.

John Murray-Brown looks at cash economy problems in an Indonesian village

Whale venture lands on the rocks

DRIED WHALE meat even in hard times is not the most appetising prospect. But Mr Mattheus Bataona and other hunters in the tiny Indonesian village of Lemalera know little else.

Using equipment which would have made Captain Ahab seem the master of high-tech, Lemalera's rowing and sailing boats ply the Antarctic currents once favoured by British and American 19th-century whaling fleets.

The survival of this cheek-by-jowl enterprise, isolated on the volcanic island of Lembata in the country's eastern archipelago, might seem surprising at a time when whaling communities in countries such as Japan have retrenched under pressure from environmental groups and the Save the Whale campaign. Perhaps more surprising is that Lemalera's traditional way of life should have been endorsed by none other than the United Nations through its Rome-based Food and Agricultural Organisation (FAO).

Under the competitive slogan, Food for Hunger, FAO launched a $250,000 aid project in 1974, introducing Lemalera to the technology of harpoon guns and in the process bringing the first whiff of commerce to a community previously used to simple barter.

The project aimed to raise living standards in what is one of the poorest regions of Indonesia, where every year there is a three-month seasonal shortfall of basic protein foods. The project's subsequent failure had little or nothing to do with the mounting international criticism of commercial whaling. But its abandonment after less than two years underlined, for the local authorities at least, the problems of bringing effective change to remote rural areas where incomes are declining, populations decreasing and where little alternative employment exists. For the Government of President Suharto which has laid great store by its record of development, such failure provided a salutary lesson. For the 3,000 inhabitants of Lemalera the project's demise still rankles today.

"No-one understands our ways," says Mr Bataona, a leading member in a society where family ties are considered all-important. Indeed one of the commonest complaints levelled against the project was that it set out to break down this corporatist family-based family system, distributing the catch evenly among all members of the community, so ignoring the well-tried practice whereby whale meat was carefully apportioned among the successful crew members.

What proved more disruptive was the sheer size of the catch once hunters had been persuaded to take aim behind modern harpoon cannons instead of throwing themselves bodily from the prow, gaffe in hand like matadors before a bull – a method sometimes fatal for the hunter.

During the first two seasons the project caught 31 sperm whales. This compares with 44 caught by all the traditional 15-man rowing boats together. The result was a glut of meat and oils, half of which was left unsold after the first season. What is more, it was calculated that every whale caught by the project cost *$6,500, compared with a barter* equivalent value of $280 under the old system.

Today Lemalera has little to show for the project. The FAO 82, the boat donated by the project, was until recently used to ferry people from Lemalera to the main island of Flores. It has now been moved to the fishery department in Kupang, the provincial capital in West Timor, a further slight to the villagers.

Probably of more lasting impact was the short-lived experience of a cash economy, something new for people who hitherto bartered whale meat for vegetables grown by communities in other parts of the island. The village shop today offers a paltry selection of household items at inflated prices and is a constant source of wonder as well as frustration for people who have little recourse to use the national currency. Lemalera's isolation has if anything deepened in the 10 years since the end of the project. A hard-topped road, which helps service villages on the north side of the island and was funded by the World Bank, stopped some five miles short of Lemalera. The ferry service meanwhile to Flores leaves just once a week. Newspapers rarely make it this far, and despite the impressive advances in satellite technology in many parts of the country there is still no telecommunications let alone television.

*Further dislocation in such com*munities seems inevitable as people are forced to look for work elsewhere. Mr Bataona, for example, takes casual work in the state-run shipyards at Surabaya, earning there more in eight weeks than in a whole year at Lemalera. If he could find permanent employment, he says, he would move with his wife and six-year-old daughter tomorrow. His cousin, Mr Domy Bataona, was more fortunate. He now works in the Indonesian embassy in Tokyo, the *latest in an impressive line* of public servants to emerge from Lemalera, a place which, though isolated, is far from backward.

"The whaling is just about over," says Mr Berchmans Bataona, another cousin. "Most people want to get an education and a job." Originally chosen by the FAO to help administer the project, he now works in nearby Larantuka, the regional capital, with the fisheries department.

One story holds that the first settlers in Lemalera were carried there on the back of a whale. Today it will take more than a whale to persuade the young people to stay.

S Africa denies it destabilises neighbours

By Anthony Robinson in Johannesburg

GEN MAGNUS MALAN, the South African Minister of Defence, yesterday rejected accusations of destabilising the front-line states and blamed the policies and leaders of neighbouring governments for the economic, political and military decline of the region.

Gen Malan, reputed to be one of the most hawkish members of the Cabinet and a possible successor to President P.W. Botha, used the visit to Cape Town by a right-wing American group to make a speech denying charges made most recently by the London based International Institute for Strategic Studies. In its latest global military review, published this week, the Institute blamed South African intransigence for increased military spending in sub-Sahelian Africa "compounded by South Africa's active destabilisation policies".

In an unusually vitriolic attack on the leaders of neighbouring black states Gen Malan described Mr Robert Mugabe, the Prime Minister of Zimbabwe as a foolish hypocrite and accused him of genocidal policies against the Matebele minority. "The civil insurrection in Matebeleland is a direct result of the Mugabe Government's politicial interference. This has caused destabilisation which has nothing to do with South Africa," he added.

Gen Malan also attacked the "despotic" governments of Angola and Mozambique for gross denials of human rights. He accused Mozambique of building "an African Berlin Wall" of landmines along its border with South Africa and said Angola had been turned into "a wasted, empty and broken land littered with sophisticated weapons supplied by the Soviet bloc".

He warned Zambia, Mozambique and Zimbabwe that "the tone and content of their propaganda is totally unacceptable to us" and called on all the countries in the region to accept that "as the regional power we have the right to help formulate the ground rules for interaction in the region".

Police hold opposition leaders in Dhaka

POLICE detained both of Bangladesh's main opposition leaders yesterday, and 50 protesters were injured during a protest against police shootings at anti-goverment demonstrations the previous day, **Reuter reports from Dhaka.**

Police broke down a hotel room door to take Begum Khaleda Zia, leader of the Bangladesh Nationalist Party, into what they called "safe custody".

Scores of police also prevented Sheikh Hasina, head of the biggest opposition group, the Awami League, from leaving her home to address a press conference.

The two women had called a general strike in Dhaka to protest against the killing of at least three people in demonstrations on Tuesday aimed at forcing the resignation of President Hossain Mohammad Ershad.

The Government has banned public meetings of more than five people in the capital for the next week.

Thousands of protesters fought running battles for the second consecutive day in central Dhaka with police who fired tear gas and charged with batons. They detained 73 people bringing total arrests since the opposition campaign was launched two week ago to an official 1,456.

A handful of rioters set fire to a US Information Service cultural centre. The motive for their action was not clear. The building was gutted.

Police said Begum Khaleda would be interned for a month in her home only 200 yards from President Ershad's house.

After the dawn to dusk strike ended truckloads of police descended on Sheikh Hasina's home and escorted her back inside when she attempted to leave.

Minister quits as violence hits Sri Lanka

A WAVE of student demonstrations and guerrilla violence rocked Sri Lanka yesterday and a senior minister said he was resigning in protest against a plan to set up a unified autonomous region for the Tamils, **Reuter reports from Colombo.**

Police reported at least 27 killed in renewed clashes across the island, and militant Sinhalese students staged anti-government demonstrations on four campuses across the country to protest against the autonomy plan.

To add to his woes, President Junius Jayawardene was yesterday handed the resignation of Mr Gamani Jayasuriya, the Agriculture Minister. The minister opposes plans to unify Sri Lanka's northern and eastern districts to create a self-administering Tamil area.

"I have resigned from my portfolios as well as from my seat in parliament. I'm opposed to the merger of the northern and eastern districts," he declared, without elaboration.

He resigned a day before Mr Jayewardene's United National Party is expected to push legislation through parliament providing limited self-rule for the Tamils in an effort to end four years of ethnic bloodshed.

The measure is opposed by hardline members of the majority Sinhalese community.

John Elliott adds from New Delhi: The Indian Government yesterday turned down a demand from opposition parties in the New Delhi Parliament for Indian troops to declare an immediate ceasefire in their battle against Tamil Tiger extremists in Sri Lanka.

Mr Natwar Singh, Minister of State for External Affairs, said at the end of a six hour two-day debate that Indian troops could not be asked to impose a ceasefire until there was a clear undertaking from the Tigers that they would abide by the Indo-Sri Lankan peace accord and surrender all their arms.

Mozambique rebels raid into Zambia

By Victor Mallet in Lusaka

MOZAMBICAN rebels have carried out an attack across the border into Zambia, killing at least one person and abducting several others, according to the Zambian authorities.

The raid, one of the most serious on Zambia's eastern frontier, marks a further escalation of the security problems in southern Africa caused by the civil war in Mozambique.

Dr Kenneth Kaunda, the Zambian President, announced that troops had been sent to the border area to deal with the situation.

The guerrillas of the Mozambique National Resistance had destroyed an agricultural co-operative and stolen about 100 head of cattle, said Dr Kaunda.

Zambia supports the Mozambican government politically but has not so far followed Zimbabwe, Tanzania and Malawi in providing troops. MNR guerrillas have repeatedly made incursions into Zimbabwe, killing more than 20 civilians.

Palestinian girls hurt in Gaza shooting

BY ANDREW WHITLEY IN JERUSALEM

TWO PALESTINIAN schoolgirls were shot and wounded yesterday in the Israeli-occupied Gaza Strip, a day after a Jewish settler had killed another girl outside a nearby refugee camp.

Several settlers were arrested by Israeli police after Tuesday's incident. A protest demonstration yesterday by some 30 schoolgirls, outside a high school in the heart of Gaza City, turned to tragedy when an Israeli whose car was being stoned got out of the vehicle and began firing at his tormentors.

The Palestinian Press Service in Jerusalem said that a 14-year old girl, Sylvia Mahdi, was shot in the spinal cord, and flown to hospital in Tel Aviv in a serious condition. Another, also 14, received a bullet wound in her leg.

The presence in Gaza of the army-protected settlers, who occupy some 30 per cent of the disputed region's best land, has long been a burning issue for the local Palestinian population, many of whom are refugees from Israel. But in the latest incident first reports suggest that an employee of the Civil Administration, the military government in Gaza, may have been responsible.

Last night a hunt was on for an unidentified man said by one of the girls to have been in uniform.

Kim Young Sam popularity rises

THE popularity of Mr Kim Young Sam, the South Korean presidential candidate, has risen sharply in the wake of his party nominating convention earlier this week when he announced the support of a respected military man for his party, **Maggie Ford reports from Seoul.**

According to one of the first polls on the candidates since a ban on polling was lifted recently, Mr Kim scores best on his commitment to democratic politics and on freedom of the press, a top issue. Second is his opposition rival Mr Kim Dae Jung, who scores best with human rights and ability to settle labour disputes.

Mr Roh Tae Woo, candidate for the ruling party is favoured by voters looking for economic development.

AMERICAN NEWS

Reagan names moderate to Supreme Court post

BY NANCY DUNNE IN WASHINGTON

PRESIDENT REAGAN yesterday nominated Judge Anthony Kennedy of Sacramento, California, to the Supreme Court. It was the President's third try for his fourth appointment to the court. Judge Kennedy is regarded as a moderate conservative, known for his wit and knowledge.

In the bicentennial year of the US Constitution - which has been the focus of the nomination battle - the President has found a candidate who reveres the document.

While serving as an appeals court judge in California during the past 12 years, Judge Kennedy has retained a part-time post teaching constitutional law at the University of Pacific's McGeorge School of Law.

There, on at least one occasion, the 51-year-old jurist has donned powdered wig and a long coat to dress as President James Madison, "the Father of the Constitution". His lectures are said to bring standing ovations from his students.

Anthony Kennedy: tough law and order judge

He has in his years on the bench demonstrated no desire to rewrite the constitution to serve any ideological interests. For this reason, the most vociferous opposition to his selection has been generated by the Republican right wing, which views the current vacancy on the court as the President's last opportunity to safeguard his social agenda for years to come.

The judge's record, for the most part, would gladden the heart of most conservatives. It was he who overturned the first statewide "comparable worth" case when a lower court ruled that the State of Washington did not have to give equal pay to women for different jobs of equal worth.

"Neither law nor logic deems the free market a suspect enterprise," the judge wrote in his decision. The state was not obliged "to eliminate an economic inequality which it did not create".

What has made Judge Kennedy suspect to the ideologically pure is a case in which he upheld the Navy's right to fire homosexuals. The Navy, he said, could act on the "unique" needs of the military,

However, he continued, homosexuals had a constitutional right to privacy. The right of privacy he based on the Roe vs Wade decision, which legalised abortion, an anathema to right-to-lifers.

Judge Kennedy for the most part fits the the President's oft-stated requirement for a tough *law-and-order* judge. *He is* unlikely to overturn criminal convictions on technicalities. Yet he has been known to reverse convictions in cases of clear violations of the accused's rights.

Judge Kennedy, the son of a lawyer who served as secretary to a California government during the Depression, is a Harvard Law School graduate. He spent six months studying at the London School of Economics.

For a time his law practice included lobbying activities for the beer and record industries. His friends insist that there are no skeletons in his closet, that he never sought to influence legislators improperly.

Hardliners force out Quebecois leader

By Robert Gibbens in Montreal

MR PIERRE Marc Johnson, moderate leader of Canada's Parti Quebecois, has resigned after opposition from hardline separatists in the party.

Mr Johnson, 41, became leader in September 1985 and moved the party away from Mr Rene Levesque's goal of political autonomy while economically linked with Canada. He was trounced in the December 1985 election by the Quebec Liberals.

A party convention six months ago and provincial polls have confirmed the popularity of Mr Johnson and his policies.

However, the party's separatist *wing believes the party will sink* into oblivion without its traditional goal of independence. This wing includes several former ministers in the Levesque Government, which ruled Quebec from 1976 to 1985.

His opponents openly called for his resignation two weeks ago, arguing that his softness on independence was leading the party nowhere. They forced a caucus confrontation after which Mr Johnson resigned as leader and *from his Montreal seat.*

Mr Johnson, a lawyer and medical doctor, had failed to weld the PQ into an effective opposition party. Membership has fallen from 300,000 to about 75,000.

Tim Coone reports on evidence of a wide-ranging crime network

Scandal behind Argentine murder

THE discovery last week of the body in the Sivak kidnap case opened a Pandora's box of *awkward questions about* the *inner workings* of the Argentine state. Despite almost four years of democratic rule it is still clearly plagued by powerful interest groups.

The answers, if they are ever publicly aired, may eventually end in an explosive political scandal involving kidnappings and *international drug trafficking organised by* police, and economic frauds by military dictators linked with political scandals in Italy and guerrilla wars in Central America. It would stretch the imagination of the most adventurous fiction writer.

After two years of rumour and suspicion, *details are finally coming to light that confirm* the existence in Argentina of a highly organised crime network run by senior members of the country's police force, probably carried out with ulterior political motivation.

This state-within-the-state already appears *to have links with* international drug trafficking which may eventually prove to be linked to major economic frauds carried out under military rule, and to the financing of the Nicaraguan Contras before the US Government became openly involved in supporting them.

So far four police officers have been arrested, two of whom have confessed to participating in the kidnap and subsequent murder of the Argentine businessman Mr Oswaldo Sivak in 1985. His body was discovered in a shallow grave at the weekend on the outskirts of Buenos Aires, and the body of another businessman, Mr Benjamin Neumann who was kidnapped in 1982, was exhumed nearby on Tuesday.

A total of $3.1m had been paid in ransoms to the kidnappers. One of the police officers, who owns a light aircraft, was already being held on drug smuggling charges, while another - Sub-Commissioner Alberto Lorenzatti - is a senior officer of the Federal Police in the municipality of Mercedes, 100km south of Buenos Aires.

William Casey: his death led to arrests

Mercedes is the town where ex-Major *Ernesto Barreira, the officer who sparked* last Easter's military rebellion, chose to make the first public presentation of a pro-military video made of the rebellion through a local cable network.

A former military intelligence officer, Mr Raul Gugliemmetti, who is accused of involvement *in other kidnapping* cases and was a fugitive in Europe, suddenly appeared in Argentina in April this year at the time of the Pope's visit and handed himself over to the police in Mercedes, where it was later discovered he also held an arms cache.

Mr Guglieminetti was linked to another group of kidnappers, all military intelligence officers, who were arrested in Switzerland *several years ago while collecting a ransom.* One of them, Mr Sanchez Reisse, jumped bail and fled to the US. He was arrested there earlier this year and was extradited to Argentina where he is now awaiting trial.

Mr Reisse has been photographed in Honduras alongside the Nicaraguan Contras and *is thought to be one of the key Argentine* connections with the CIA which helped establish the Contras as a military force before the US Goverment gave them financial support.

The ex-General Suarez Mason, who faces over 600 charges in Argentina on human *rights abuses, homicide,* robbery and fraud, including running up $5bn of debts in the state oil company YPF, was also a fugitive in the US until January this year when he was arrested. He now awaits extradition. Mr Suarez Mason is thought to be one of the organisers of the Argentine military training *programme to the Contras* and *was also* a member of the P2 Masonic lodge in Italy

It may be a coincidence, but the arrest of Mr Mason and Mr Reisse in the US, and the voluntary surrender by Mr Guglieminetti and Mr Gelli to the police, both in places where they thought they were safe and *might not face serious charges, all happened* after the death of Mr William Casey, the head of the CIA. Mr Casey was a key figure behind the creation of the Contra army in Nicaragua.

One question now being asked in Argentina is why it has taken so long to discover *the kidnappers of Mr Sivak when members* of his family have always maintained that the police were involved? The family has also publicly accused Mr Antonio Troccoli, the ex-Interior Minister and a close friend of President Raul Alfonsin, of concealing evidence and holding up the investigations.

SEC chief proposes tighter insider laws

BY ANATOLE KALETSKY IN NEW YORK

A MAJOR tightening and clarification of US laws on insider trading was proposed yesterday by Mr David Ruder, chairman of the Securities and Exchange Commission.

Mr Ruder said the SEC would support legislation to ensure that the definition of insider trading "*is broad enough to reach not* only corporate employees, but also persons associated with the market, friends and relatives and other persons who knowingly violate a relationship of trust and confidence by utilising *inside information for their own* benefit".

Mr Ruder also proposed that a new insider trading law should provide an explicit right for private investors and companies to sue insider traders for damages *equal to any profits they made* or losses *they avoided* through the wrongful use of information.

Mr Ruder's proposals, made in a speech prepared for delivery to a New York investor group, reflect growing concern in Washington about the difficulties faced in convicting insider traders and bringing private actions for damages under the law as it stands.

Among the reasons for this *concern is an appeal before* the Supreme Court against the conviction for insider trading of Mr Foster Winans, a Wall Street reporter who leaked information about share tips in his forthcoming columns. If, as is widely expected, Mr Winans wins his appeal against the SEC's charges, a crucial legal precedent will have been set making it more difficult to prosecute other alleged insider traders who do not have a direct contractual relationship of trust with the *companies* whose shares they buy and sell.

Another legal problem worrying some lawmakers is the difficulty which private litigants are experiencing in lawsuits against Mr Ivan Boesky, the Wall Street *financier* who has admitted extensive illegal use of inside information. No private investors or companies have yet succeeded in winning civil damages from Mr Boesky because of the difficulty of proving that they *had suffered* any *specific loss as* a result of the disgraced financier's activities.

Several draft bills to tighten the legislation have been considered by congressional committees on Capitol Hill, but yesterday's *speech* gave the clearest indication to date of the broad scope for action against inside traders which Mr Ruder, the nation's top financial enforcement official, would be seeking.

Mr Ruder also predicted that *Mr Boesky would be sent to jail* when he comes up for sentencing before a Federal Judge in the next few months. "I would be very surprised if he did not go to jail," he said.

Mexican inflation hits record 142%

BY DAVID GARDNER IN MEXICO CITY

MEXICAN consumer prices rose 8.3 per cent last month, bringing inflation to a record 142 per cent a year.

This is a 40 point rise on last year, and poses a severe test of the Government's nerves in persevering with itsstrategy of attacking inflation gradually.

This is particularly so as Mr Carlos Salinas de Gortari, the young former planning minister chosen to succeed President Migel de la Madrid next year, was the main architect of current economic policies, and in the public eye bears responsibility for their success or failure.

Carlos Salinas: architect of current policies

The main problem is considered by officials like Dr Pedro Aspe, Mr Salinas's successor and close economic adviser, to be "inflationary inertia". This is inflation left once the exchange rate is managed to competitive equalibrium; when the budget is in rough balance; and when relative prices of key goods like gasoline have been brought into alignment.

Others ministers stress the need for greater fiscal adjustment despite real budget cuts, equalivalent to 10 per cent of GDP since 1982. This year's public sector deficit will be equivalent to about 18 per cent of GDP, the highest ever.

The undervaluation of the peso has also pushed prices up. "You cannot expect to make pay an undervalued exchange rate and get rid of inflation," says a Bank of Mexico official.

Mexico devalued the controlled rate it uses for merchandise trade by 148 per cent last year following the collapse in the price of oil, its main export. The daily rate of devaluation of the peso against the dollar this year has lagged nearly 30 points behind inflation. But according to the Central Bank official the cushion of about 50 per cent undervaluation has been maintained.

The undervalued peso provides the underpinning for Mexico's successful non-oil export drive, while the Government has speeded up import liberalisation, believing this will both sharpen Mexico's competitiveness, and drive down prices. This has not so far happened, largely as a result of the monopoly structure of Mexican industry and trade.

It is not clear whether there is room for further cuts, moreover, given flat growth since 1982 and the forthcoming election. Fiscal reforms introduced this year have yet to yield a higher tax take.

The government is therefore coming under growing pressure to launch an anti-inflation programme, like the Cruzado plan in Brazil, freezing prices and wages.

Senior ministers frequently deny the Government is contemplating a so-called Azteca plan as it is known here.

Though in theory the required indicators are closer to equilibrium here than they were in either Brazil or Argentina, senior economic officials believe the Mexican economy has still not worked through the external shock of high international interest rates and low oil prices nor that it has digested the structural reforms, introduced to deal with both.

YEUTTER ADDRESSES UK BUSINESSMEN

Protectionist pressure 'easing in Congress'

BY PETER MONTAGNON, WORLD TRADE EDITOR

PROTECTIONIST pressure in the US Congress has abated since the plunge in Wall Street share prices a month ago, Mr Clayton Yeutter, US Trade Representative said yesterday.

"Protectionism has fewer supporters in the US today than it did four weeks ago," he told businessmen at the Confederation of British Industry.

His remarks indicate a belief that Congress is now more fearful of the risk of repeating the notorious Smoot-Hawley tariff legislation which compounded the depression of the 1930s.

"The fact is that the dramatic decline in securities markets has caused everyone to sit back and re-examine their views on trade legislation," Mr Yeutter said.

However, he added that the jury was still out on the question of whether Congress would move to pass an acceptable trade bill, which President Reagan could sign.

Mr Yeutter said the Administration would like "a constructive, responsible piece of legislation." He was confident that a Presidential veto could be sustained if one did not emerge.

Despite the present Congressional preoccupation with budget cuts and the nomination of a new Supreme Court judge, Mr Yeutter said he still hoped a bill would be ready for signing by late this year or early next.

Repeating a call for international co-operation to help overcome the turmoil in financial markets and make for an orderly reduction in the US trade deficit, Mr Yeutter added that the need for such co-operation would not deter the Administration from pursuing an aggressive policy in dealing with bilateral trade disputes.

This policy, in force for the last two years, had resulted in many long-running disputes being settled, he said.

"It's worth doing in terms of moving towards a level playing field," he said.

"Having disputes is not sinful; what's sinful is letting them fester for 20 years."

Separately, in an address to the Royal Institute of International Affairs, Mr Yeutter said the US would support the adoption by the General Agreement on Tariffs and Trade of binding arbitration powers for the settlement of trade disputes as well as an enhanced role for Gatt in surveillance of trade policy.

Binding arbitration, which is strongly resisted by the European Community, would theoretically mean an end to the present system where Gatt members can block adoption of a dispute ruling in which they are found to be at fault.

Replying to a questioner who said that the US would thus be delegating authority to an uncertain outside process, he said: "We've got to change our view to some degree in that area.

"It just seems evident to me that we have to have a strong Gatt going into the 1990s and into the next century."

"It's not a question of giving up sovereignty, just (accepting) the involvement of someone else."

Earlier, he complained that the US has "not had a lot of support from Europe" for its campaign to negotiate new rules on trade-related investment in Gatt.

"We should have had investment rules in Gatt a long time ago," he said.

Yeutter: trade bill doubt

Gatt finds trade protectionism is growing

BY WILLIAM DULLFORCE

TRADE protectionism has continued to grow during the first year of the Uruguay Round of the General Agreement on Tariffs and Trade, according to the latest report from the Gatt secretariat.

In the half-year to the end of September the secretariat listed 135 "grey area" measures taken by governments to circumvent Gatt rules, up from 116 in the previous six months and 93 in the corresponding period of 1986.

There has been no fall-off in the subsidy of farm exports and the secretariat singles out the increased funding for the US Export Enhancement Programme, which has boosted sales of US cereals worldwide and drawn angry protests from Australia and Argentina.

In the confidential report it submitted to the Gatt council yesterday, the secretariat notes that the launching of the Uruguay Round has led governments to look for long-term solutions. But it warns measures restricting or distorting trade taken during the six-month period continue to create doubts about governments' readiness to follow Gatt rules.

These doubts are compounded by the worry that national trade policies are moving towards greater protection. The main worry, the secretariat says, remains the US trade bill, still being thrashed out between Congress and the Reagan Administration.

Its analysis of the 135 export restraint arrangements is particularly unflattering for the European Community and the US. No less than 69 protect the EC or one of its members, while the US has negotiated 48 bilateral agreements to guard its industries.

Steel and steel products are involved in the most trade-managing agreements (38), followed by textiles (28), farm products (21), automobiles (14) and electronic products (11).

The most significant developments during the half-year, in the Gatt secretariat's view, were the widening of the range of South Korean exports to the US covered by "voluntary" restraints and the conclusion by the US of eight bilateral agreements regulating imports of textiles. On a more promising note, several trade conflicts were settled.

However, the secretariat remains unhappy about the potential for conflict in some current disputes. These include the quarrels arising from the inclusion of Spain and Portugal in the EC, the row between the US and the EC over funding for Airbus aircraft and the sharp exchanges over Japanese construction contracts and telecommunication practices.

Debt and balance of payments problems again strongly influenced developing countries' trade policies during the half-year. Some - Colombia, Morocco and Indonesia - introduced trade liberalising measures as part of structural adjustment programmes. Others - Peru earns a special mention - retreated from earlier liberalisation.

Gatt sees no signs of slowing down in government-backed countertrade agreements which are against the organisation's free-trade principles. Not less than 5 per cent of world trade is estimated to involve forms of countertrade. Among the examples highlighted by the Gatt secretariat is the city of Miami's plan to set up an international currency and barter exchange.

US attacks Brazil on computers

By Peter Montagnon, World Trade Editor

THE US has lost patience with Brazil over its continuing determination to protect its computer industry, Mr Clayton Yeutter, US Trade Representative, said yesterday.

Noting that the dispute over Brazil's policy on informatics, which includes telecommunications equipment and computers, had been running for 18 months, he told an audience of businessmen at the Confederation of British Industry that the US would have imposed sanctions long ago if Brazil had not been an indebted developing country.

"We have been incredibly patient and tolerant with Brazil," Mr Yeutter said.

He did not say when the US would actually impose sanctions, although this is widely expected in Washington to be announced next week.

Brazil's policy was "indefensible in every aspect and contrary to Brazil's own interest," he said.

It could not be in Brazil's interests to fend off computer software programming that was badly needed to develop its own industry. Because the software was not available locally, Brazilian companies would begin to pirate it, Mr Yeutter said.

"Some day Brazil is going to regret following these policies," he added.

US seeks inquiry into national labour standards

BY WILLIAM DULLFORCE

THE US yesterday asked the Gatt Council to establish a working party to examine how national labour standards affected international trade and Gatt's free-trade objectives.

US trade officials have been pursuing this "workers' rights" issue under pressure from members of Congress who argue that some countries produce cheap export goods by exploiting labour.

In July the US trade representative's office agreed to petitions from the AFL-CIO and affiliated US trade unions that it examine the record on workers' rights of Turkey, Taiwan, South Korea, Indonesia, Thailand and the Central African Republic.

Earlier, in April, Washington cited the desire to encourage Third World countries to grant workers the right to organise as one of the reasons for withdrawing duty-free status from $4.7bn of imports from developing countries under the US Generalised System of Preferences programme.

This controversial US linkage of trade with national labour practices has been vehemently opposed by developing countries, in particular Mexico. They contend that Gatt is not the forum in which to discuss the issue.

The cautiously-worded US request tabled yesterday clearly aimed at pacifying the opposition, while ensuring that the issue was raised in Gatt. The US was not advocating any conclusions but simply asking for a working party to study the issue.

Gatt's working party would examine the "possible relationship of internationally recognised labour standards to international trade".

It would then consider any proposals that might be put forward and report its findings to the Gatt council.

NZ favours free market link with Australia

By Chris Sherwell in Sydney

AUSTRALIA and New Zealand should consider taking their economic relationship beyond current moves to a free trade area and towards a customs union or even a single market.

This suggestion came yesterday from Mr David Caygill, New Zealand's Minister of Trade and Industry, when he addressed the annual conference of the Australia and New Zealand Business Councils in Sydney.

The focus of the conference is the Closer Economic Relations (CER) agreement between the two countries after 1988, when the pact – now four years old – is due to be reviewed.

Mr Caygill said the question which needed answering was whether the two countries simply wanted to remove remaining stumbling blocks in a successful free trade relationship, or would rather have a wider economic relationship.

According to Australian figures, trade across the Tasman Sea has almost doubled, from A$1.8bn in 1982-83 to A$3.2bn in 1986-87. Investment has also grown rapidly.

Mr Caygill said free trade in most product areas would be achieved well before the target date of 1995. He also pointed to the emergence of trans-Tasman companies and the way in which exporters in both countries were now looking beyond each other.

In the review, he suggested, the jurisdiction of the Australian and New Zealand trade practices, merger and foreign investment regimes should be widened to embrace both countries.

Other issues for consideration should be technical barriers to trade such as labelling, standards and quarantine regulations, New Zealand's anti-dumping laws and Australia's use of bounties to assist domestic industry.

Mr Caygill also said he was keen to see Australia participate in its government purchasing system.

But all issues were best discussed in the framework of an agreed goal and a time limit. His preference, he intimated, was a goal of one market, to be achieved by the end of the century.

Japan set to resist Gatt call for reform of its liquor taxes

BY IAN RODGER IN TOKYO

CLAIMS by Japanese that their Government will respect this week's demands from a Gatt panel for reforms of its liquor tax system should be taken with a dram of whisky.

In fact, the Japanese Government will try very hard to squirm out of meeting Gatt's demands on this and food import quotas, because of strong political pressure from the domestic food and drinks industries for continued protection.

The result could be the worst bout of trade friction yet between this country and its major trading partners. Senior Japanese officials acknowledge privately that the problem is very serious, especially as it is likely to come to a head early in the New Year, just as the US Congress is putting the finishing touches on its omnibus trade bill.

One official said this week the prospect was for a nastier row than the one last spring between the US and Japan over semiconductor trade. In April, the US imposed 100 per cent punitive tariffs on a wide range of Japanese electrical goods in retaliation for Japan's alleged infringements of a bilateral chip trade agreement, though some of these have since been suspended.

Japan would be particularly vulnerable to foreign criticism and retaliatory measures if it did not accept all the Gatt panel recommendations. The country is a leading beneficiary of the international free trading system organised under the Gatt, and is a frequent and vociferous critic of other Governments' protectionist tendencies.

Officials say the Government will indeed introduce some reform proposals in line with official statements made this week, probably in late December when next year's tax and budget plans are decided.

But they doubt that any proposals that would win the approval of the ruling Liberal Democratic Party would also be enough to satisfy the European Commission (in the liquor case) or the US (in the food products case).

The problem for the Government is the political influence of the agricultural and drinks industries. The high quality drinks industry, dominated by the giant Suntory, is thought to have close links with many leading politicians.

However, the makers of low-grade *shochu*, a rough spirit made from vegetables and fruit, popular in rural areas, very probably have more political clout.

At present, the tax on *shochu* is 8 per cent compared with a 55 per cent rate on special grade whisky. The Gatt panel has demanded the elimination of the grading system which makes this sort of discrimination possible - but Japanese officials doubt that such a reform - which would necessitate an increase in taxes on *shochu*, is politically possible.

They are more optimistic about winning political approval to to remove the discrimination in taxation between domestic and almost all imported whiskies, but they doubt that will be enough to satisfy the EC.

A similar partial reform package was introduced last December, but the EC found it totally unacceptable. In fact, it was the basis for the EC's complaint to Gatt which led to this week's disputes panel report.

There is similarly strong domestic opposition to removing import quotas on 12 agricultural products, including peanuts and tomato ketchup, as demanded by the US.

Another Gatt panel has just concluded its study of this issue and has apparently recommended that quotas be removed on 10 of the 12 products involved.

Government officials say the removal of these quotas would mean the destruction of many small agricultural sectors and they doubt the LDP would be prepared to contemplate it. Already this week, farm groups have begun lobbying the Government openly.

Connecticut company in Soviet link

COMBUSTION Engineering of Connecticut became the first US company to enter a joint economic venture in the Soviet Union yesterday when it signed a contract involving equipment for the petroleum industry, Reuter reports from Moscow.

Combustion Engineering is going ahead with a project, under a five-year agreement, for a factory employing up to 300 people, mostly Soviet citizens, for which it will supply computer software and put up an initial sum worth about $8m.

Under Moscow's joint venture rules, the Soviet side takes a 51 per cent financial stake in the venture which would be known by its Soviet acronym, PRIS, and would develop automated control systems for oil refining and petrochemical plants.

Computer software would be provided by the Americans while the Soviet side would contribute engineering equipment and tools, the company said.

Capital investment would amount to $16m over the first year.

"We see a market of not less than $200m over the next five years and not necessarily all Soviet," the company said.

Combustion Engineering has nearly completed an 18-month contract to equip an ethylene plant at Nizhnekamsk near Moscow.

Japanese group incurs export ban

JAPAN imposed a one-month export ban on a trading company for illegally exporting strategic high-tech goods to China, a spokesman for the Ministry of International Trade and Industry (Miti) said yesterday, Reuter reports from Tokyo.

Tomei Trading Co Ltd sold specialised electronic equipment to China between 1984 and 1986, violating rules set down by the Paris-based Co-ordinated Committee on strategic exports (CoCom), he said.

The ban, which takes effect from November 17, follows the decision on October 27 by a district court in Kobe, near Akashi, to fine the company Y1m (£4,000). The company, a China trade specialist based in Akashi in western Japan, failed to get ministry approval for exports of a signal generator and a computer part for a circuit board tester for a colour television plant and for parts for an electronic scale, the Miti official said.

A senior Tomei Trading official said: "We're sorry that we omitted or ignored necessary export procedures to meet a delivery deadline."

Venezuela plans to build aluminium smelter

BY JOSEPH MANN IN CARACAS

VENEZUELA'S largest aluminium maker, Venalum, will build a new aluminium smelter with foreign partners. The smelter, to be constructed in the Guayana industrial zone of southeast Venezuela, will be capable of producing 360,000 tonnes per year of primary aluminium and will cost $1.2bn.

Industry sources said that Venalum will hold 40 per cent of shares in the new venture, while another 40 per cent will be owned by Italpianti, a subsidiary of the Italian Government's industrial holding company, IRI.

Pechiney of France will hold another 10 per cent in the new company and the remaining 10 per cent will be owned either by Alcoa of the US or by a Japanese industrial concern, according to sources in Caracas.

Mr Hector Hurtado, Venezuela's Minister of Finance, said he expected the Government to complete negotiations on the new aluminium plant by early December.

Venalum is a highly profitable joint venture set up in the 1970s by the Venezuelan Government and a group of Japanese companies in the heavy industry sector.

The new smelter is the latest in the Venezuelan Government's big push to increase the country's aluminium smelting capacity. Venezuela is currently the Western world's lowest cost aluminium producer, thanks to very low cost hydro-electric power generated by the Guri dam.

At the same time, the Government is planning a new smelter for Venalum, two American banks – Bank of America and Chase Manhattan – are competing on a financing proposal for another aluminium smelter, to be built by Alcasa, a joint venture between the Venezuelan Government and Reynolds International of the US.

Alcasa plans to build a 180,000 tonnes per year smelter costing $670m, along with another group of foreign partners. The Government wishes to raise a major share of this money via export financing credits and a debt equity swap.

UK ECONOMIC INDICATORS

ECONOMIC ACTIVITY–Indices of industrial production, manufacturing output (1980=100); engineering orders (1980=100); retail sales volume (1980=100); retail sales value (1980=100); registered unemployment (excluding school leavers) and unfilled vacancies (000s). All seasonally adjusted.

	Indl. prod.	Mfg. output	Eng. order	Retail vol.	Retail value	Unem-ployed	Vacs.
1986							
2nd qtr.	109.8	104.0	97	121.3	154.0	3,203	175.6
3rd qtr.	111.0	105.1	96	123.7	158.7	3,202	200.2
4th qtr.	111.1	107.4	96	126.5	194.3	3,141	213.0
1987							
1st qtr.	112.1	107.5	95	125.4	157.0	3,073	210.4
2nd qtr	112.5	109.0	93	128.3	166.0	2,965	226.1
3rd qtr				131.8	171.8	2,827	241.3
March	112.9	108.3	95	125.5	157.8	3,040	210.6
April	112.3	108.5	94	130.0	169.0	3,018	213.9
May	113.2	109.2	93	126.4	161.3	2,952	231.2
June	111.9	109.4	93	129.4	167.3	2,925	233.3
July	114.4	111.0	93	131.2	173.7	2,876	234.9
Aug.	115.2	111.5	93	133.5	171.0	2,829	237.5
Sept.				131.8	171.0	2,775	251.5

OUTPUT–By market sector; consumer goods, investment goods, intermediate goods (materials and fuels); engineering output, metal manufacture, textiles, leather and clothing (1980=100); housing starts (000s, monthly average).

	Cnsmer goods	Invest goods	Intmd. goods	Eng. output	Metal mnfg.	Textile etc.	Housg. starts*
1986							
1st qtr.	103.9	101.2	114.9	101.3	109.6	103.1	14.6
2nd qtr.	105.2	101.4	115.8	102.8	110.1	104.1	19.5
3rd qtr.	106.4	101.7	117.4	103.6	109.3	103.2	19.4
4th qtr.	106.5	103.4	115.9	105.4	115.6	104.7	15.5
1987							
1st qtr.	108.0	103.4	118.0	105.4	114.5	102.9	17.4
2nd qtr	110.8	102.5	118.0	105.4	120.6	106.1	19.6
3rd qtr							19.0
February	108.0	102.4	118.7	105.0	121.0	102.0	18.6
March	108.0	105.0	118.9	107.0	116.0	101.0	20.8
April	110.4	102.2	118.0	105.0	116.0	106.0	18.1
May	111.3	102.3	119.4	105.0	121.0	106.0	20.4
June	110.7	103.1	116.5	106.0	125.0	106.0	20.2
July	112.9	104.1	119.8	107.0	122.0	108.0	20.3
Aug.	112.9	104.4	121.6	108.0	127.0	110.0	17.4
Sept.							19.4

EXTERNAL TRADE–Indices of export and import volume (1980=100); visible balance; current balance (£m); oil balance (£m); terms of trade (1980=100); official reserves.

	Export volume	Import volume	Visible balance	Current balance	Oil balance	Terms trade	Reserve US$bn
1986							
2nd qtr.	121.9	129.1	-1,608	+146	+765	102.5	19.28
3rd qtr.	122.6	130.0	-2,391	-810	+621	103.2	22.43
4th qtr.	130.5	144.0	-2,725	-860	+785	100.9	21.92
1987							
1st qtr.	130.0	133.2	-1,135	+672	+1,164	100.5	27.04
2nd qtr	126.3	140.7	-2,361	-174	+1,033	103.7	34.36
3rd qtr	130.5	150.7	-3093	-1258	+942	103.5	34.81
March	126.9	130.2	-417	+185	+454	100.8	27.04
April	131.4	138.6	-526	+203	+423	102.8	29.31
May	123.9	144.2	-1,096	-367	+365	103.8	34.68
June	123.5	139.1	-740	-11	+245	104.4	34.36
July	131.3	147.6	-910	-310	+284	103.1	34.91
Aug.	126.4	154.9	-1,529	-929	+374	103.6	34.36
Sept.	133.9	149.6	-655	-55	+284	103.7	34.81
Oct.							41.40

FINANCIAL–Money supply M0, M1 and M3 (three months' growth at annual rate); bank sterling lending to private sector; building societies' net inflow; consumer credit†; all seasonally adjusted. Clearing Bank base rate (end period).

	M0 %	M1 %	M3 %	Bank lending £m	BS inflow £m	Cnsmer. credit† £m	Base rate %
1986							
2nd qtr.	3.1	25.9	27.2	+6,485	1,493	+346	10.00
3rd qtr.	5.9	20.2	15.4	+6,995	168	+792	10.00
4th qtr.	7.5	15.3	14.1	+10,516	2,814	+444	11.00
1987							
1st qtr.	1.2	20.6	20.2	+6,738	1,485	+952	10.00
2nd qtr	3.2	29.7	20.3	+6,554	1,804	+1,032	9.00
3rd qtr	8.1	25.2	21.7	+11,445	1,211	+849	10.00
March	-3.8	32.8	29.4	+2,682	647	+399	10.00
April	0.1	20.9	33.6	+1,973	727	+410	9.50
May	5.6	37.6	32.8	+2,850	521	+294	9.00
June	4.5	30.8	21.9	+3,931	556	+329	9.00
July	7.7	34.5	24.3	+4,875	347	+241	9.00
Aug.	7.1	22.5	21.9	+2,187	667	+206	10.00
Sept.	9.6	19.5	20.9	+4,383	197	+402	10.00
Oct.					197		9.50

INFLATION–Indices of earnings (Jan 1980=100); basic materials and fuels; wholesale prices of manufactured products (1980=100); retail prices and food prices (Jan 1987=100); Reuters commodity index (Sept 1931 =100); trade weighted value of sterling (1975=100)

	Earn-ings*	Basic matls.*	Whsale. mnfg*	RPI*	Foods	Reuters* cmdty.	Sterling
1986							
1st qtr.	179.1	133.4	143.2	96.5	96.9	1,825	75.1
2nd qtr.	184.0	135.8	145.7	97.8	98.7	1,714	76.1
3rd qtr.	187.4	130.8	146.3	97.9	98.3	1,464	71.9
4th qtr.	191.0	127.4	147.4	99.1	98.3	1,608	68.2
1987							
1st qtr.	192.0	128.8	149.2	100.3	100.5	1,590	69.9
2nd qtr	198.0	128.7	150.0	101.9	101.8	1,598	72.8
3rd qtr		131.0	151.6	102.1	100.5	1,647	72.7
March	194.5	128.2	149.7	100.6	100.7	1,539	71.9
April	196.9	128.4	150.5	101.8	101.6	1,554	72.4
May	196.1	128.0	151.0	101.9	102.2	1,612	73.2
June	200.0	129.7	151.1	101.9	101.6	1,629	72.6
July	203.1	130.5	151.3	101.8	100.4	1,632	72.8
Aug.	201.8	131.3	151.5	102.1	100.7	1,655	72.2
Sept.		131.1	151.9	102.4	100.4	1,653	73.1
Oct.		130.6	152.7			1,662	73.6

*Not seasonally adjusted
†Net changes in amounts outstanding, excluding bank loans.

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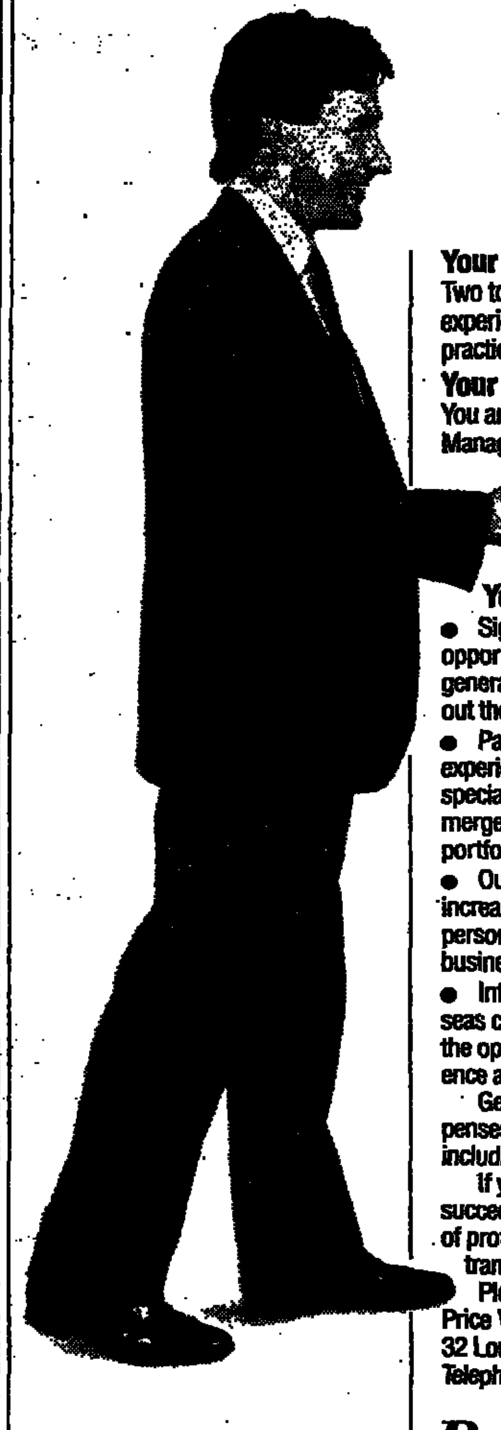

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Ministers clear way for privatisation of steel

BY PETER RIDDELL, POLITICAL EDITOR

THE GOVERNMENT has decided that the British Steel Corporation will definitely be privatised before the next general election after the sharp improvement in its profits and financial position.

The corporation will be sold as a whole and, although no firm decision has been taken on timing, the flotation is likely to be in the second half of this parliament, from 1989 onwards.

The decision in favour of privatisation now taken by Lord Young, the Trade and Industry Secretary, and his ministerial colleagues, contrasts with the greater caution expressed during the general election this year when the sale of British Steel was not included in the Conservative Party's proposed legislative programme.

Mr Norman Tebbit, then Conservative Party chairman, said at an election press conference that British Steel was operating in a sector where there were considerable problems so it was not a "very early candidate" for sale.

However, both Industry and Treasury ministers are now keen to see British Steel privatised. With the exact timing of the sales of the electricity and water industries both uncertain, ministers want to see another major privatisation in the second half of this parliament.

Another key influence is the desire for privatisation of Sir Robert Scholey, who has been chairman of the corporation since last April.

When the corporation announced net profits of £178m for the year to last March, after the large losses of the early 1980s, he said that 1990 would be the likely privatisation date, although if the Government wanted to do it sooner he would be "delighted." But he added that an additional £100m of profits would be needed before sale.

After borrowing of £1.1bn in 1980-81 and £26m in the current financial year, the corporation is being required to pay back to the Government and other lenders £100m in the year starting next April.

In Brief

Pit union set for talks on 6-day week

BRITISH COAL is to hold national talks with the Union of Democratic Mineworkers to discuss the introduction of flexible working which will allow six-day coal production, **Charles Leadbeater writes.**

The talks indicate that the corporation may increasingly turn to the UDM to introduce six-day production not only at new pits in the Midlands of England, the UDM's heartland, but in other coalfields as well.

The talks reflect the corporation's mounting frustration with the leadership of the National Union of Mineworkers which has refused to negotiate on flexible working. The UDM broke away from the NUM during the year-long miners' strike in 1985.

New MD for Shorts

Mr Roy McNulty has been appointed managing director of the aircraft manufacturers, Shorts of Belfast, in succession to Sir Philip Foreman who retires next year.

Strike talks impasse

Talks between the Post Office and union leaders, aimed at averting a Christmas postal strike, broke up after two hours without agreement. Talks will resume tomorrow.

RAF tests radar 'spies'

RAF chiefs are evaluating the results of trials which could lead to a network of radar "spies" being set up in Britain to monitor low-flying aircraft. Eleven pilots have been killed in crashes this year in the UK as a result of low-flying manoeuvres.

Zeebrugge hero

A 19-year-old diver who received no honours for rescuing three lorry drivers from the wreck of the Zeebrugge ferry has been named Man of the Year. Mr Eamonn Fullen, of Pinder's Heath, Wakefield, was the only Royal Navy diver to go into the wreck.

Unions warned of weaker ties with Labour

By Philip Bassett, Labour Editor

LABOUR PARTY leaders will in future want to keep their distance from trade unions for electoral reasons, Mr John Edmonds, general secretary of the GMB general union, forecast last night.

Giving a lecture in London, Mr Edmonds said that while a future Labour government would help unions to cope with recent years' unpleasant changes, unions should be "realistic about the political support we can expect."

While he welcomed discussion in the Trades Union Congress about unions' future roles, he said the "background growl of protest" from some unions against breaking with "traditional" union values was a sad disappointment.

He attacked union inflexibility, insisting that members' demands were diverse and often contradictory; unions should recognise that "working people do not share our liking for uniformity and tightly-controlled decision-making."

However, he remained sceptical about the value of strike-free deals being negotiated by the EETPU electricians and others, maintaining that there was no evidence that such agreements had helped unions gain a foothold in non-union companies.

Top SDP man to quit active politics

BY OUR POLITICAL EDITOR

MR BILL RODGERS, one of the Social Democratic Party's founding members, is to leave active party politics to become the first director-general of the Royal Institute of British Architects.

The post has been created after a report on Riba's organisation by a firm of management consultants.

Mr Rodgers, 59, intends to resign as a vice-president of the SDP and as chairman of its finance committee because he believes his new role is incompatible with front-line party politics. He lost his parliamentary seat in 1983 and failed to get it back at this June's general election.

He will be the first of the party's founding members formally to leave politics. But with Mr Roy Jenkins now in the House of Lords, only Mrs Shirley Williams, the party president, and Dr David Owen, the former leader and sole survivor in the House of Commons, remain active. Mr Rodgers said last night that he remained committed to an SDP merger with the Liberals and was confident that a new, united party would regain public support.

Riba, in central London, has a staff of 100 and an annual budget of about £4m a year. Mr Rodgers said he was keen to be involved in running something, after four years of lecturing, writing and political activity.

An advertisement appeared in the Financial Times on 9 November promoting the I.B.M '87' Exhibition at the Business Design Centre, London. This exhibition closed on Friday 6 November. The Financial Times regrets any inconvenience caused to I.B.M. or to its readers

Pit closures near figure forecast by Scargill

BY MAURICE SAMUELSON

THE NUMBER of colliery closures since the miners' strike ended in 1985 is likely to reach 70 this financial year, close to the figure claimed to be on a Coal Board so-called hit list by Mr Arthur Scargill, National Union of Mineworkers president, before the pit strike began.

That emerged from British Coal's half-yearly figures, published yesterday, showing that 66 collieries have closed since March 1985.

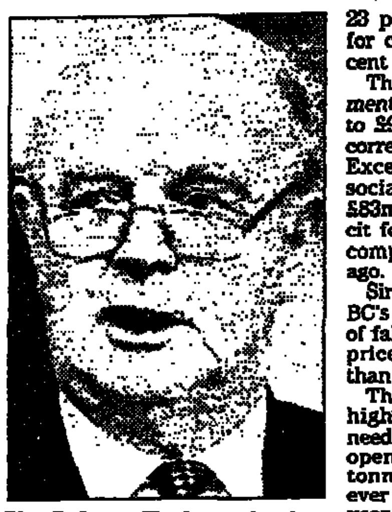
The corporation also said more of the remaining 103 might be shut by the financial year's end.

That would take the number of operating collieries below 100 for the first time and mean job losses on top of the 83,500 voluntary redundancies recorded since the year-long strike.

The further contraction is the industry's price for trying to break even in 1988-89, to which British Coal remains committed in spite of a deteriorating commercial climate.

Sir Robert Haslam, British Coal chairman, announcing the figures in London, said the £104m operating profit achieved in the first half was consistent with that aim. However, the task would become even more difficult if sales continued to be cut by market conditions, unfavourable exchange-rate movements and by industrial action.

He said that to achieve the break-even target "we will need to take further action to reduce remaining high-cost capacity in the next six months, even though this involves higher exceptional restructuring and social costs."



Sir Robert Haslam: further action needed

He said the action's severity and depth would be determined by the union's willingness to abandon its overtime ban and to identify with progress made in the immediate past.

Since the strike's end, productivity had risen by 45 per cent, mainly by installation of heavy-duty face equipment; colliery operating costs had fallen 23 per cent; and average prices for customers had fallen 15 per cent in real terms.

The losses after interest repayments in the first half had fallen to £91m from the £157m in the corresponding period last year. Exceptional restructuring and social costs were down from £83m to £45m. The overall deficit for the half-year was £136m, compared with £240m a year ago.

Sir Robert said that to hold BC's market volume, in the face of falling world energy prices, its prices had been cut by more than £500m since April last year.

Those trends had also further highlighted the corporation's need to maximise output from opencast sites. That, at 7.4m tonnes, was the third-highest ever for the opening half of a year.

However, British Coal was concerned at the growing difficulty of obtaining consent for new opencast sites because of local environmental opposition and, indirectly, because of the union, which saw opencast mining as a threat to deep mines.

The corporation said that coincided with a change in planning procedures for opencast sites. Its previous planning success rate of more than 90 per cent fell recently to 50 per cent under procedures giving the Environment Department final say.

British Coal talks with UDM, Page 12

US issues extradition warrant for Parnes

By Raymond Hughes, Law Courts Correspondent

A WARRANT for the extradition from the US of Mr Anthony Parnes, the London stockbroker who is in custody in Los Angeles, was issued yesterday. Mr Parnes faces criminal charges in the UK arising out of the Guinness affair.

The warrant was signed after a private hearing at Bow Street magistrates court in London. Papers in the case will be forwarded to the US with a request for Mr Parnes's extradition.

Mr Parnes was arrested when he arrived in Los Angeles from Paris on September 30. The arrest was made by FBI agents acting on a warrant, obtained in London by the Metropolitan Police fraud squad, alleging four offences of false accounting, involving £3.4m.

After the extradition request has been made, via the Foreign Office and the State Department, the matter will go to the federal court in Los Angeles.

If extradition is ordered, Mr Parnes is likely to appeal. As extradition is a federal matter, the case might end up in the US Supreme Court.

The US appeals procedures are unlikely to have been exhausted by April 12 next year, when Bow Street court will fix a date for the committal for trial hearings of Mr Ernest Saunders, former Guinness chairman, Mr Gerald Ronson, chairman of Heron Corporation, Mr Roger Seelig, former corporate finance director of Morgan Grenfell, and financier Sir Jack Lyons.

Mr Parnes last appeared in the Los Angeles court on October 29, when bail was refused. The court was told he was to be charged with 18 offences relating to the Guinness affair, including the theft of £12.5m.

The previous day the High Court in London had heard that Mr Parnes had agreed to repay about £2m to Guinness in settlement of a civil action brought by the company.

After the London hearing, his solicitors said the agreement was not related to his arrest in the US "upon charges which he steadfastly denies."

Call for 'significant' tax reform scheme

BY PHILIP STEPHENS, ECONOMICS CORRESPONDENT

A STRONG CALL for the Government to use the first Budget of the present parliament to begin a significant programme of tax reform was made yesterday by the Institute of Fiscal Studies.

The institute, an independent think tank, said: "There has never been a better moment for tax reform." Because it was early in the life of the parliament, the potential political backlash from those who lost by changes in the system would be limited.

In parallel, the present buoyancy of government revenues means there is money available to lubricate the reforms with an overall tax cut.

In a report presented at a conference in London yesterday, IFS economists highlight the chaotic and inefficient nature of much of the present tax system as it applies to both companies and individuals.

The report presents a range of options for change, ranging from relatively minor alterations to a much more radical restructuring of the system. It concedes that a big overhaul would not be possible in one Budget and perhaps not even in a single parliament, but suggests that substantial progress could be made if the Government adopted a coherent programme.

The Government's guiding principle for income tax should be to replace the present structure with a much simpler system with few marginal rates of tax. The marginal rate - the amount of tax paid on each additional pound of income - is the key factor in influencing incentives.

The IFS says it is possible to retain a progressive system, in which tax payments rise with incomes, with only a few marginal rates, although any overhaul is complicated by the present system of separate social security payments.

Mr Nigel Lawson could simply opt to tidy up the present system, with a further cut in the basic rate and a rationalisation of the existing higher rate bands. More significant changes might involve abolishing the ceiling on National Insurance contributions and introducing a separate 35 per cent rate for dividend and interest income.

The most radical, but also the most efficient and fair reform, would be full integration of the tax and National Insurance systems.

That might be combined with significant changes to the present structure of taxation for husband and wives, which the IFS says is manifestly overgenerous to two-earner couples.

The Government had ruled out a switch to a system of fully transferable allowances, but it could make considerable progress towards a more equitable structure with the introduction of partially transferable allowances.

The IFS also calls for an overhaul of universal child benefit, which it says is a wasteful use of scarce social security resources. A much better system would involve payment of child benefit to all families but with the better-off facing a "clawback" through the tax system.

Among the options for beneficial changes in company taxation, the study lists the reintroduction of stock relief for corporation tax or the indexation of depreciation allowances and the abolition of licence royalties for North Sea oil operators.

Tax Reform: Options for the Third Term, IFS, 180-182 Tottenham Court Road, London W1P 9LE, £6.

Ministry boost for BT rival

BY LYNTON McLAIN AND DAVID THOMAS

THE DEPARTMENT of Education and Science has switched to Mercury, BT's only competitor, for the bulk of its outgoing telephone calls in a drive to cut departmental running costs.

The department is understood to be the first government department to have switched from the British Telecom for the supply of telephone services. The change is regarded in Whitehall as an important step for a government department.

The department expects to save £30,000 a year as a result of the switch, according to the first report on government purchasing from the Central Unit on Purchasing, published yesterday by the Treasury.

The Cabinet Office also cut its telephone expenses by £40,000 in annual running costs by buying instead of renting a new switchboard. Similar savings are expected in the next two years.

The Department of Health and Social Security has achieved "significant savings," understood to be £1m in 1986-87, by purchasing telecommunication equipment that had previously been rented.

The Welsh Office also made savings, estimated at more than 25 per cent, in its telephone costs by buying instead of renting telephones and by introducing telephone logging of calls.

The Department of Trade and Industry cut its annual telephone running costs by buying telephones and extension wiring at three locations.

Information on the amount of business Mercury does in the rest of Whitehall is sketchy, although the company said last night that several large departments were its customers. It said it could not name them without their permission.

The Treasury said it did not know of any other government departments that had switched to Mercury. The Central Computer and Telecommunications Agency, responsible for advising government departments on telecommunications policy, also said it had not collected information about this, although it used Mercury itself.

Officials 'cut £286m costs'

BY LYNTON McLAIN

GOVERNMENT DEPARTMENTS achieved value-for-money savings worth £286m in 1986-87 on the goods they bought, according to the first report of the Central Unit on Purchasing, published yesterday.

That was 4.7 per cent of the £6.074bn spent on purchasing and supply of equipment and building projects by all departments except the Ministry of Defence.

The unit described the figures as encouraging, but Mrs Thatcher, the Prime Minister, pointed out in a Commons written answer that the report emphasises that a great deal remains to be done.

The unit, formed as an autonomous body within the Treasury in August 1985, had set a target of £400m savings for the year to April 1987. The deadline for achieving that has been moved to April 1988 because the unit was not fully operational until early last year.

The savings have been made by improving contract and payment terms; developing alternative sources of supply; consolidating purchases to achieve quantity discounts; keener negotiation where appropriate; and reductions in stockholdings.

In 1985-86 departments reported only £70m in value-for-money improvements. In March 1986 the departments set themselves a target of £109m for 1986-87, but achieved £177m more than that.

They have set themselves a £388m target this financial year. For 1988-89 their target is £477m - 7 per cent of forecast expenditure on purchasing and supply.

The report concludes: "It is crucial, if the current momentum is to be maintained, that all departments in the next 12 months improve and streamline their organisation to lower purchasing overheads and provide a systematic approach to identifying opportunities for further value-for-money improvements."

Government Purchasing; Progress Report to the Prime Minister from the Central Unit on Purchasing; HM Treasury Nov 1987. HMSO. £3.50.

National Freight may buy US group

By Lynton McLain

NATIONAL FREIGHT Corporation's international division may buy Allied Van Lines, the largest US interstate removals company, for an undisclosed sum.

NFC, owned by its employees and managers, agreed in principle to buy AVL, which will integrate with Pickfords Removals, an NFC company said to be Europe's largest business and household removals company.

The merger would create an integrated worldwide removals network. AVL, of Chicago, has a turnover of almost $600m (£334.3m) and an interstate network of 790 agents.

The proposal is subject to conditions. ALV stockholders vote on it early next year.

Budweiser gives up TV sport backing

BUDWEISER, the Anheuser-Busch beer brand of the US, has withdrawn its sponsorship for the American football programme on Channel 4 television.

Channel 4 said yesterday it had been informed by Budweiser that it was withdrawing its sponsorship, worth more than £100,000 a year. It is believed that Anheuser-Busch decided to withdraw sponsorship because of what it saw as inadequate exposure for its brand and growing dissatisfaction with the production quality.

Homes choice plan for Scots

BY JAMES BUXTON, SCOTTISH CORRESPONDENT

IMPORTANT REFORMS of housing in Scotland designed to give Scots a wider choice and better living conditions were proposed by the Government yesterday.

They include measures to allow tenants to transfer from local authorities to other landlords.

The Government is to legislate in the current session of Parliament to set up an agency named Scottish Homes, which will combine the functions of the Scottish Special Housing Association and the Housing Corporation in Scotland.

It says it hopes Scottish Homes will match the success of the Scottish Development Agency in the economic field as a dynamic agent of change in housing.

The idea of Scottish Homes was the subject of consultation in Scotland after its announcement in May this year.

The Scottish Office proposals match those recently put forward by Mr Nicholas Ridley, Environment Secretary, for England and Wales. Scotland, however, has a much lower level of owner-occupation than England.

The level of owner occupation in Scotland is 42 per cent, against England's 64 per cent. However, it has risen from 35 per cent since 1979, due mainly to the sale of council homes.

The broad aim of the proposals is to give people greater responsibility for the conditions in which they live. The theme of increasing people's personal responsibility was spelt out last week by Mr Malcolm Rifkind, Scottish Secretary, as a leading theme of Conservative government policy for Scotland in the Government's third term.

The proposals are intended to dilute the very large council estates and to improve their management.

Council tenants will be allowed to transfer their tenancies to other landlords, which may be either established housing associations or commercial landlords. Tenants will be allowed to form co-operatives with their neighbours. All landlords will have to be approved by Scottish Homes.

The proposals would mean greater involvement by the private sector in housing. In the private rented sector, new lettings by private landlords are to be deregulated, although the regime for existing tenants will not be substantially altered.

Housing: The Government's Proposals for Scotland. HMSO. £3.60.

MONOPOLIES AND MERGERS COMMISSION REPORT ON THE BA-BCAL MERGER

Revised link plan allows for competition

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

THE MONOPOLIES and Mergers Commission has ruled that the proposed merger between British Airways and British Caledonian Airways can go ahead, on the basis of new proposals put forward by BA aimed at removing many of the merger's likely anti-competitive effects.

The commission's approval is disclosed in an 89-page report, published yesterday, which Lord Young, Trade and Industry Secretary, has accepted. Sir Godfray Le Quesne, chairman of the commission, took personal charge of the study.

It is now open for BA to make a new offer for BCal, which it is expected to do in a few weeks. Its original £237m bid has formally lapsed.

The report makes clear that the commission considered that the original proposals submitted by BA were likely to operate against the public interest, especially in the light of the submissions from other airlines and interested parties. As a result, the original bid would have been disallowed.

Only by coming forward with its revised set of proposals has BA been able to save its merger plan and win approval for it from the commission.

Since the commission believes the merger will not be against the public interest, Lord Young has no power, under the mergers act, to prevent it.

However, Lord Young made clear yesterday that he would act swiftly against BA if, in making its new offer, the airline in any way departed from the proposals it made to the commission.

In addition, as the merger proceeds it will be closely watched by the Civil Aviation Authority (CAA). Mr Christopher Tugendhat, its chairman, has undertaken to report in about a year to Mr Paul Channon, Transport Secretary, on the progress being made in implementing all the new BA proposals.

The commission says that, during its study, it identified a number of possible detriments to the proposed merger.

It was noted that the removal of competition between BA and BCal would leave some routes on which there would be little competition for the merged airline; that the airline would occupy a very powerful market position; that it might present a threat to charter operators at Gatwick; and that it might withhold from competing airlines the maintenance, repairs and training facilities now provided to them by BCal.

At the same time, it identified a number of possible benefits.

The merger would strength BA's ability to compete with big foreign airlines worldwide; it would bring financial savings through the merger of activities; and it would remove any risk of the enforced liquidation of BCal - which faces financial difficulties - or the breaking up of its business.

The commission says: "Liquidation or break-up would lead to the interruption of BCal's services, and possibly to the cessation of some of them. Several thousand BCal employees would face uncertainty, or even loss, of employment. There must be some advantage in a solution which mitigates these possibilities.

"We have to assess the consequences to be expected of the merger proposals as they have now been developed, balancing the advantages and the detriments which we have identified.

"Having done this, we conclude that the merger situation may be expected not to operate against the public interest."

The proposals that enabled the merger to proceed are:

● That within one month of acquiring a controlling interest in BCal, BA will return to the Civil Aviation Authority all BCal's route licences to fly on UK domestic routes, including to the Channel Islands, together with BCal's licences to fly between Gatwick and such European destinations as Paris, Brussels and Nice, to which it already operates, and on those for which it has licences but does not fly - Athens, Copenhagen, Hamburg, Oslo, Rome, Stockholm and Stuttgart.

● Within the same month, BA will also withdraw the appeals outstanding by BCal against the grant of route licences to its rival, Air Europe, for services between Gatwick and such European cities as Amsterdam, Brussels, Copenhagen, Frankfurt, Geneva, Munich, Paris and Zurich.

● BA will retain the right, however, to reapply for the re-issue of any of those licences, its applications having no priority and considered on the same basis as any other applicant.

● At the same, BA will not oppose any application by another airline seeking to compete with it on any route where existing BA/BCal flights are not constrained by foreign governments under bilateral air agreements.

That means that other airlines can apply for licences where "dual" or "multiple designation" is already available, which includes all UK domestic routes, all west European routes except Italy and possibly Portugal, all routes to the US and Canada and all routes to the United Arab Emirates, Qatar and Bahrain.

The list will be extended as the UK Government succeeds in negotiating more liberal air agreements with other countries.

● The merged airline will operate as one carrier for the purpose of UK designation on international air routes.

● BA will submit to a review by the CAA of all the routes currently flown by BCal to see whether further British competition on them is desirable.

The commission says: "If the CAA thinks that competition with the merged airline is desirable, it will presumably grant a licence to a suitable competitor." On some routes, such as Paris and Brussels, Air Europe is already emerging as such a competitor because BCal's appeals against the award of licences to it are being withdrawn.

● BA will surrender a minimum of 5,000 takeoff slots at Gatwick, spread reasonably through the year.

● BA will continue to offer to other airlines, without discrimination, the maintenance and repair facilities at present made available to them at Gatwick by BCal.

● BA will merge the charter activities of British Airtours with the relatively small charter activities operated by BCal under the BCal name. Those activities will operate under the BCal name. It expects that in the short term they will be substantially on the same scale as the present separate charter activities.

In the longer term, BA expects such activities to expand, mainly with long-haul charter flights, in line with market growth.

● BA would also like to merge the activities of Cal Air with the charter activities but that will depend on who owns the half-share in Cal Air now belonging to Rank and on any action that may be taken under the Fair Trading Act.

The commission believes that the possible effects of the merger on competition will be reduced very considerably by the proposals, especially through the return to the CAA of slots at Gatwick.

If none of the licences surrendered to the CAA is re-issued to the merged airline, the number of slots at Gatwick released by BA/BCal will amount to 20,000 of the 33,500 slots at Gatwick now used by BCal and Cal Air. In any event, BA will be surrendering 5,000 slots there.

The commission says: "This will modify considerably the position of the merged airline at Gatwick and the possibility of its taking unfair advantage of its strength to the detriment of other operators there. The opportunities for growth and development of other airlines will be correspondingly increased."

Moreover, the risk of predatory or anti-competitive conduct by the merged airline will be reduced.

At the same time, says the commission, BA's proposals would also reduce the possibility of any subsequent infringement of Article 86 of the Treaty of Rome, which rules against anti-competitive behaviour.

The CAA, in a long statement on the commission's report, says it believes the arrangements approved by the commission go a considerable way towards safeguarding a competitive multi-airline industry, which it feels will be in the best interests of the travelling public as well as of the UK as a whole.

It adds: "The CAA did not oppose the takeover, accepting, as did almost all those who gave evidence, that BCal could not go on as they were.

"The authority concentrated on proposing conditions that would as far as possible ensure that genuine competition would continue to take place between British airlines in the new environment that would be created if the merger went ahead.

"It is a matter of regret, as others have recognised, that BCal is no longer able to sustain the role of Britain's second-force scheduled service airline. It is difficult to see any other single airline taking over that role and, therefore, the concept itself no longer appears to have a viable future.

"None the less, it is possible to envisage circumstances in which a variety of different British airlines compete vigorously with British Airways on different routes and in different markets. That is the direction in which the authority would now like to see the industry develop."

The CAA says it would liked to have seen BA offering to give up more of BCal's European routes than it has done.

If the takeover goes ahead the applications by BA to the CAA to revoke the BCal licences will follow within one month. Those applications will probably be heard, along with the applications by other airlines to serve those routes, in the first half of next year.

The CAA also said there was no reason to fear any break in continuity of services through the surrender by BA of the BCal licences on certain routes. BA has undertaken to continue serving those routes until the necessary applications have been dealt with.

Travel trade fears for Gatwick airport

BRITAIN'S travel trade fears that holidaymakers might be forced away from Gatwick airport by the proposed merger of British Airways and British Caledonian, writes David Churchill in Innsbruck.

Travel agents and tour operators, meeting yesterday in Innsbruck at the annual conference of the Association of British Travel Agents, called for charter airline passengers to be protected if BA gained dominance over Gatwick airport as well as Heathrow.

Mr Keith St Clair, chairman of Sol Holidays and a member of the Abta Tour Operators Council, said: "Holidaymakers could be forced to travel to distant airports and hence pay higher prices."

Mr John Boyle, managing director of Falcon Leisure, added: "Holidaymakers on charter flights must not be allowed to become second-class passengers to the business traveller. Consumers should be allowed to go on holiday from the airport of their choice."

Abta, which represents more than 90 per cent of UK travel agents and tour operators, is seeking urgent meetings with the Departments of Trade and Industry and Transport to express its concern.

Mr Jack Smith, the association's president, said: "We want clear safeguards to ensure that a proper balance will be maintained of charter and scheduled traffic at key airports, especially Gatwick."

Travel agents pointed out that about 60 per cent of all air passengers in Europe travel on charter airlines rather than on scheduled services.

Clay Harris looks at possible takeover terms

Airline has 21 days to decide on worth of second carrier

BRITISH AIRWAYS has 21 days to decide whether, and at what price, to renew its takeover bid for British Caledonian Group. There is little chance that BA will pull back from completing the takeover of the one-time "second force" in British civil aviation, but its new terms will be worth considerably less than the original offer launched in July.

Even if BA had revived its share offer on unchanged terms, the world market crash would have reduced its value to £153m, compared with £237m four months ago. In volatile share markets and in the shadow of possible recession, BA is also unlikely to be able to get its shares underwritten on terms sufficient to offer a cash alternative as attractive as the previous £220m.

Since the first bid was referred to the Monopolies and Mergers Commission, BCal has also sold - or is in the process of selling - all of its operations apart from the scheduled airline itself and the group's half share in Cal Air, a charter carrier.

By promising, moreover, to return to the Civil Aviation Authority BCal's licences on eight current routes and seven others on which BCal does not at present operate services, BA will be able to argue that the airline has even fewer assets. BA will conveniently ignore the fact that it intends subsequently to apply for all eight routes, and to operate them under temporary licences in the meantime.

Several factors, however, contradict the conclusion that BCal, an unquoted company, is now the subject of a Dutch auction in which the only bidder is free to revise its offer price downwards, almost at will:

● BCal continues to be worth more to BA than to any competitor and worth more than its value as an independent concern, because takeover would give BA a dominant position at Gatwick comparable to the one it already enjoys at Heathrow.

● International Leisure Group, owner of Air Europe and the most vocal champion of Britain's small independent airlines, would not yesterday exclude the possibility of launching a bid for BCal, once BA had revealed its hand.

● Several foreign airlines are still believed to be waiting in the wings ready to discuss possible alternative rescues for BCal.

Although publicity given to those potential partners has been interpreted as an effort to raise the spectre of foreign entry into a privileged position in the UK market, it has also been useful for Sir Adam Thomson, BCal's chairman, as a way to send discreet messages to his betrothed that other suitors are outside the door - or across the water - if BA proposes too stingy a deal.

Because of those factors, City analysts yesterday were expecting an offer in the region of £140m to £150m, in effect reflecting no changes except the fall in the BA share price. The decline of 35 per cent since the day before the bid was launched is almost identical to the slide in sterling terms in the Standard & Poor's index for US airlines.

BCal sold its hotel operations to Aer Lingus, the Irish airline, just before the end of its financial year on October 31. By the end of this week, it expects to agree on terms for the disposal of Aberdeen-based British Caledonian Helicopters to Bristow Helicopters, part of British & Commonwealth Holdings.

Both moves have been interpreted as a sign of increasing cash-flow problems. Although Sir Adam said yesterday that the BCal group would show a profit in 1986-87, compared with a pre-tax loss of £19.3m in the previous year, it was not clear whether that would be achieved without the disposal profits.

At October 31 1986, BCal's net assets, of less than £100m, compared with net borrowing of £320m, excluding overseas cash about which the Monopolies Commission had doubts concerning its remittability. About BCal's capital gearing of 344 per cent, the commission offered the faint consolation that "although [it] is highly geared by conventional standards, the position has not worsened over the last five years."

BCal's financial position nevertheless reduces the likelihood that any non-UK airline would offer to take a 25 per cent stake (the maximum allowed without BCal losing its licences). Such a rescuer would have also to act as banker to the group. Few of the suitors would be willing to take such a considerable risk for such a limited reward.

MARKET SHARES (%) ON ROUTES FROM LONDON WHERE BCAL AND BA COMPETE*

	BCal	BA	Combined	Market share ('000 passengers)
EUROPE				
Paris	12	39	51	2,238
Amsterdam	13	30	43	1,368
Frankfurt	12	27	39	870
Brussels	18	38	56	707
Geneva	15	43	58	614
Jersey	30	49	79	453
UNITED KINGDOM				
Edinburgh	12	67	79	1,121
Glasgow	13	69	82	1,115
Manchester	18	82	100	869
Aberdeen+	1	87	88	414
Manchester-Aberdeen	7	82	89	38
NORTH AMERICA				
New York	7	27	34	1,929
Los Angeles	20	29	49	539
MIDDLE & FAR EAST				
Hong Kong	25	29	54	462
Dubai	35	37	72	92
Muscat	9	22	31	109

*Year to March 31 1987. + From December 1986.

Source: Database/Scamp

Government to discuss private sector space role

BY PETER MARSH

A NEW form of British space agency, with the private sector having a significant equity stake, is one option to be discussed under a government review of its involvement in space activities.

The review, which started yesterday, comes in the wake of the rebuff Britain received this week when the other 12 nations of the European Space Agency (ESA) ignored its advice over postponing a series of big, manned space projects, including the French-inspired Hermes spacecraft, the Ariane 5 rocket and the Columbus manned orbiting laboratory.

Britain regards those projects, which are expected to cost about £7bn by the end of the century, as too expensive and of only minimal commercial potential.

The new consideration of Britain's role in space will also include an inquest into how the UK failed so badly to read signals from other European countries regarding their readiness to back ESA's manned space projects, Hermes in particular.

In spite of the argument by Mr Kenneth Clarke, Trade and Industry Minister, that Hermes was unnecessary, the rest of the ESA nations, meeting in The Hague on Tuesday, supported France. They backed all three manned projects, with only Britain staying on the sidelines.

Mr Roy Gibson, former director general of the British National Space Centre (BNSC), said yesterday the meeting was disastrous for Britain.

He said the object for Britain should have been to delay the manned space programmes to allow more time to discuss their technical basis and cost estimates rather than to see them charge ahead without UK participation.

Mr Gibson said he thought Mr Clarke had been wrong to proclaim so vehemently a month ago that he thought the ESA programmes were misdirected and that Britain would be freezing its subscription to the agency.

Such a strong statement, which allowed little possibility of compromise, "doomed Britain from the start. I don't think we used our political influence intelligently," Mr Gibson said.

It is believed that Mr Clarke greatly overestimated the support for the UK view from the other countries in ESA. At the meeting in The Hague, West Germany and Italy, supported by some of the smaller European countries, backed the French line on Hermes unexpectedly firmly.

UK officials had warned Mr Clarke that a softer approach on Hermes, supporting some of the rationale behind it but hinting that the costs and technical basis required rethinking, might produce a more positive result.

One observer said: "In the end the harassment tactics backfired and drove the other countries closer together."

In spite of the failure, Mr Clarke appears determined to continue his drive to gain a greater involvement by companies in funding UK space activities.

He wants to consider ways of injecting private money into the UK's annual civilian space budget of roughly £110m a year. That sum is spent through the BNSC, which was set up two years ago under the auspices of the Trade and Industry Department.

Companies, not only from the aerospace sector but in other fields such as banking and finance, will be asked if they would be willing to put up cash.

Sir John to give up top control at Sainsbury

By Christopher Parkes, Consumer Industries Editor

SIR JOHN SAINSBURY is to give up most of his operational responsibilities as chairman and chief executive of the J. Sainsbury retailing group early in the new year.

His withdrawal from day-to-day operations was signalled yesterday when the company announced a boardroom shuffle in which top executive control will shift to Mr Joe Barnes, assistant managing director, retail, and Mr David Quarmby, distribution director.

They are to be appointed joint managing directors in succession to Sir Roy Griffiths, who retires at the annual meeting next June. He will remain on the board as non-executive deputy chairman.

Sir Roy's role as executive deputy chairman will be filled by Mr David Sainsbury, the finance director.

Mr Barnes, who is due to retire in 1990, takes up his appointment on January 1. He will have specific responsibility for retail operations, buying and marketing, the company said, "relieving Sir John . . . of the operational role he plays in this area."

Mr Quarmby, 46, takes up his post on June 29, when Sir Roy retires.

Sir John, who has led the group since 1969, would be free to devote more time to board matters and group subsidiaries, the company said.

The promotions were well received in the City. Mr Barnes, an accountant who joined the company in 1956, was described as "pleasant and businesslike with the core of steel one is looking for."

Mr Quarmby, a former managing director of London Transport, was a key figure in Sainsbury's recent takeover of Shaw's, a US supermarket chain.

Kenneth Gooding looks at a Soviet hatchback designed to win Western buyers

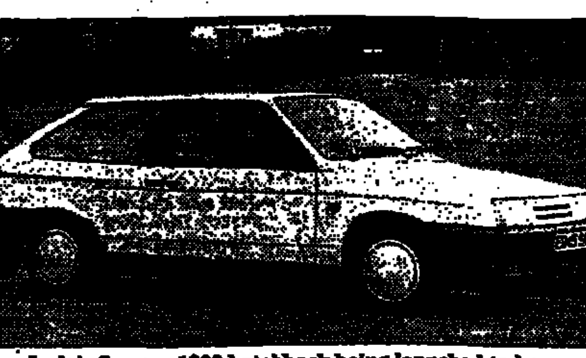
Samara heralds changes for Lada car range

A NEW ERA is beginning for Satra Motors, which has been importing Russian-built Lada cars into the UK for 20 years. Satra is today launching the Samara, the Soviet factory's first front-wheel-drive hatchback model, and expects its total sales as a result to jump by 20 per cent next year to 30,000 vehicles.

At the same time, ownership of Satra is moving to Western Motor Holdings, a quoted company with a range of car-related interests, in a deal worth nearly £21m.

Western is buying Satra from the family interests of Mr Ara Oztemel, 62, an Armenian American, who now has 23.5 per cent of the UK company and who will probably be invited to become Western's chairman.

The Samara takes Satra into a new sector of the car market, but the company will still concentrate on offering low prices as its main selling point. Three versions of the 1,300cc, three-door hatchback are available at £4,295, £4,795 and £5,295 compared with £5,662 for the basic Ford Escort.



Lada's Samara 1300 hatchback being launched today

Mr Martin Austin, managing director of Satra, says: "With the Samara we are offering an Escort-sized car at a Fiesta price."

He suggests that introduction of the Samara will enable Lada to take the title of fastest-growing new car franchise in the UK away from Citroen, the current holder.

Last year, 20,312 Lada cars were registered in the UK to give Satra a market share of just over 1 per cent, up from 15,314 and 0.84 per cent in 1985. This year the company is on target to reach 25,000 registrations, well ahead of the previous record of 22,270 set in 1979.

Mr Austin admits that in the past Lada has not been able to move upmarket and out of its niche among the lowest-priced cars available in the UK. But he insists that his company is taking a very conservative view of the prospects for the Samara by predicting 10,000 sales next year, of which half will substitute for other Lada models.

Satra hopes the Samara will appeal to younger customers and particularly help it to gain sales in the south of England, perhaps as a second family car. At the moment, about two thirds of Lada car sales are made north of Birmingham.

Satra last year made a pre-tax profit of £3.1m on a turnover of £55.5m. Mr Austin points out that the turnover is generated by only 180 employees. Satra is "a solid, expanding and stable business", he maintains.

The switch of ownership to a public company that could issue shares to finance expansion should enable Satra to expand faster than in the past, he suggests.

Mr Austin claims that the Lada dealer network is the second most profitable in the UK (after Honda's). Satra wants to increase the number of dealers from the current 210 to more than 220 next year.

Satra has allocated nearly £1m to promote the Samara in the next three months, but will wait until the new year to spend most of this money.

The Samara was first launched in the West in Brussels in January last year. The Russians usually take some time to engineer Lada cars for right-hand drive, even though the UK vies with France to sell the most Lada cars and is the market from which the factory earns the most hard currency.

Mr Austin says the Samara range will be expanded with other engine sizes and body shapes. A 1,500cc version will be launched in the UK in about a year, and possibly an 1,100cc unit. Four-door models and estates will replace the Riva model (based on the now defunct Fiat 124) in the 1990s.

Albion £9m project complete

BY JAMES BUXTON, SCOTTISH CORRESPONDENT

LEYLAND DAF, the Anglo-Dutch truck maker formed this year when Rover merged its trucks business with Daf of the Netherlands, yesterday announced completion of a two-year investment programme at its Albion axle plant in Glasgow which has cost £9m.

However, Mr George Simpson, Leyland Daf chief executive, said creation of what he called one of the most efficient axle-making operations in Europe did not amount to a guarantee of security for the plant's future.

He said it did not imply "we are satisfied with the outstanding progress to date on quality and productivity, and certainly does not provide a shelter for Albion against the longer-term vagaries of the truck market."

However, it did mean Albion was "more competitively fit to meet the challenges of the marketplace than ever before."

Leyland Daf has made clear that the future of its UK operations depends on increasing output from them.

Mr Simpson said output at the Leyland assembly plant would be 11,000 trucks, compared with 8,000 last year. Production was running at an annual rate of 14,000.

Daf has a plant in Belgium making axles to a different specification.

Industry analysts have questioned whether UK plants will have a leading role in supplying vehicles and components when a new generation of Leyland Daf trucks is introduced.

Daf owns 60 per cent of Leyland Daf, Rover 40 per cent.

The £9m investment at the Glasgow plant has largely gone on new, computer-numerically controlled machine tools.

All manufacturing has been concentrated on one site. The plant, which formerly made Albion vehicles, has been cut from 75,000 sq metres to 44,000 sq metres.

The workforce is shortly to fall from about 900 to 760, as an agreed redundancy and early-retirement progamme takes effect.

Ford aims to recapture lead in pick-up vehicles

BY JOHN GRIFFITHS

FORD aims to recapture leadership of the UK market for light pick-up vehicles with a Sierra-based P100 model assembled in Portugal and to be unveiled today at the Scottish motor show.

Some 5,000 units are scheduled to be built in the first year, all destined for the UK, rising to between 10,000 and 12,000 a year when left-hand-drive and diesel models are added in about 12 months.

About 60 per cent of the value of the vehicles is made up of shipments from the UK. The body and some of the running gear, with the exception of the rear cabin panel and load-carrying box section, are produced at Dagenham, east London. However, the two-litre petrol engine and transmission are sourced from West Germany.

Ford said yesterday that the value of UK-sourced content would rise to 80 per cent when Dagenham-built diesels are added to the range next year.

The company originally intended to produce the entire vehicle on its Sierra assembly lines at Dagenham. However, the pick-up model is longer than the Sierra estate and would have required assembly-line changes.

LSI Logic microchip plant opens in Kent

BY DAVID THOMAS

LSI LOGIC, a US semiconductor company, yesterday opened a microchip plant in Sidcup, Kent, to design and, from the first quarter of next year, make advanced microchips.

STC, the UK electronics group, has a 10 per cent stake in the operation and is also leasing the plant to LSI.

The plant will make chips known as application specific integrated circuits (Asics), designed to meet needs of particular clients and among the fastest growing sector of the semiconductor market.

It will concentrate initially on making BiCMOS products, which combine bipolar and CMOS technologies on a single chip, mainly for the telecommunications and industrial markets. The plant may diversify into standard products in 1989.

Mr Bob Blair, president of LSI Logic Europe, said most clients would be in Europe but he also expected sales worldwide.

He said the company would spend £10m initially on equipment. That might quadruple in the next four years.

Much of the work at first would be designing chips for clients. Production would build up through next year.

The plant would employ 50 workers and probably double that by the end of next year.

LSI is in talks, started a year ago, with some four companies about their taking a stake in the plant.

Mr Blair said LSI had for the moment dropped plans to float shares in its European subsidiary on the UK Unlisted Securities Market.

Call to reform export credit guarantees

By Peter Montagnon

THE EXPORT Credits Guarantee Department should formally introduce a new premium structure that reflects the risks it takes in providing support for Britain's exports, the Commons public accounts committee said yesterday.

In its latest report on the ECGD, the committee also said the department should consider unilateral introduction of improved documentation and procedures for the short-term bank guarantees used to back up export credits that remain on its books in spite of the withdrawal of loss-making short-term guarantee facility.

ECGD said yesterday it was studying the report, which was drawn up after committee hearings in the summer. However, the feeling within the organisation is that it is already moving to meet the criticisms.

Its premium structure has already become more flexible and negotiations with banks over the reform of medium-term export finance are complete, although the committee has complained of delays.

Electronics jobs planned

BY DAVID THOMAS

WELWYN Electronics Systems, which assembles electronic components, is planning to create 350 jobs at its plant in Blyth, Northumberland.

Welwyn, part of Crystalate Holdings, the electronics group, is building an extension to the plant which will double its capacity.

Some of the new employees will be working on a multi-million-pound contract, which Welwyn won against competition from Far Eastern and Continental manufacturers, to assemble electronic sewing machines.

Mr Albert King, Welwyn managing director, refused to put a value on the order or to say how many of the new workers will be employed on the contract.

The rest of the expansion will be carried out if Welwyn wins deals to assemble automobile electronics and consumer electronic equipment. Those are due to be decided in the next few months.

The Blyth factory has increased its workforce from 225 to 420 in the two years it has been open.

PARLIAMENT and POLITICS

Ministers looking at secrets act revision

BY Michael Cassell, Political Correspondent

GOVERNMENT sources yesterday confirmed that ministers are considering possible changes to the widely criticised Official Secrets Act, although they stressed the Government's belief that the exercise is fraught with difficulties and that no early attempt to implement new legislation is proposed.

A private member's bill aimed at reforming the wide-ranging Section 2 is due to be presented to the Commons in January by Mr Richard Shepherd, the Tory MP for Aldridge-Brownhills, and although the Government does not intend to try to use the opportunity to bring forward legislation, an outline of its own proposals could be known by then.

Whitehall denied that the rethink has been triggered by the recent Spycatcher case but acknowledged that there is now general dissatisfaction with the act and in particular with the catch-all Section 2, which is widely regarded as having been discredited and in need of reform.

The first indication of the review was contained in a written parliamentary answer earlier this week after Sir Patrick Mayhew, the Attorney General, said that work was in hand on devising provisions for an "effective, enforceable and reasonable alternative" to existing legislation.

The fresh look at the existing legislation is the first since the Government abandoned the 1979 Protection of Official Information Bill, since when Mrs Thatcher has repeatedly rejected suggestions for further attempts at changing the law.

Mr Shepherd's bill is designed to repeal Section 2 and replace it with measures to protect information in six key areas. He welcomed the move yesterday.

House hit by procedural warfare

BY IVOR OWEN

IN ROWDY exchanges during the course of an all-night sitting of the Commons, Labour MPs countered Conservative charges of parliamentary incompetence - a transport debate planned by Mr Neil Kinnock and his shadow Cabinet had to be scrapped - with accusations of corruption.

A private bill seeking authority to expand Felixstowe harbour was the battleground for a prolonged bout of procedural warfare. Labour tactics to delay its progress were exploited by Conservative MPs to prolong Tuesday's sitting beyond 2.30 yesterday afternoon and to strike all business due to have been discussed yesterday from the Commons calendar.

With the apparent approval of the Labour whips - but not of all Scottish Labour MPs - the opponents of the bill also decided to sacrifice nearly 60 minutes of Scottish questions which would have provided another opportunity to highlight the fact that the Conservatives can now only muster 10 of Scotland's 72 MPs.

Mr Nicholas Fairbairn (C, Perth and Kinross) taunted Labour MPs over their disarray by claiming that they were waging war against each other.

Amid laughter from the government benches Mr Fairbairn suggested that if new legislation on firearms was required it should contain a provision to "stop the Labour Party shooting its foot off."

Mr Harry Ewing (Lab, Falkirk East) hit back with another reference to the hospitality which had been provided for MPs at various stages of the bill.

He spoke of the "corruption that was going on last night in a blatant attempt to buy votes of members of the House."

Mr Ewing also claimed that Sir Jeffrey Sterling, chairman of P&O, was an adviser to Lord Young of Graffham, the Trade and Industry Secretary.

Other Labour backbenchers asserted that Mrs Margaret Thatcher, the Prime Minister, had been so angered by Labour's tactics in seeking to delay passage of the bill that she had ordered the goverment whips not to enter into any accommodation with opposition leaders to ensure that the debate ended before 2.30 yesterday afternoon.

The frustration on the Labour benches mounted as an attempt by **Mr Donald Dewar**, the shadow Scottish Secretary, to preserve Scottish Question Time failed and opposition leaders discovered that they had been outmanoeuvred in their efforts to secure a goverment statement on the merger of British Airways and British Caledonian at the customary time - 3.30 yesterday afternoon.

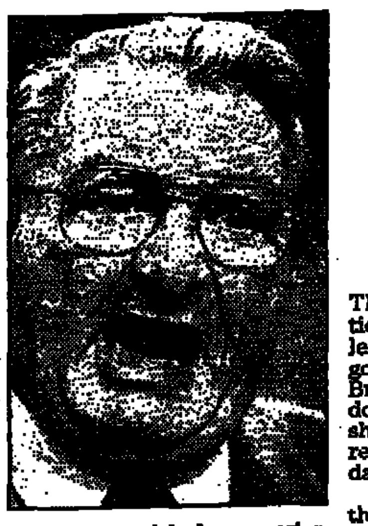
In a desperate bid to salvage something from the wreckage, two Labour MPs, **Mr Allan Rogers**, a junior defence spokesman, and **Mr Eric Heffer** (Liverpool Walton), risked suspension by trying to force an interruption in the debate on the bill to secure a government statement on the merger of British Airways and British Caledonian.

After the Speaker had ordered Mr Rogers to resume his seat and threatened to suspend him, Mr Heffer, who made several unsuccessful attempts to raise a point of order, stormed from his seat on the opposition back benches to stand in the centre of the chamber by the mace to confront the Speaker.

As the abusive exchanges between the two sides of the House became increasingly heated, the Speaker described Mr Heffer's behaviour as "disgraceful" and ordered him to return to his seat.

Having complied with the Speaker's instruction, Mr Heffer then explained that his sole purpose had been to seek an opportunity to suggest that with the House at "a very high emotional level" the sitting should be suspended for a brief period.

The Speaker refused to suspend the sitting on the grounds that such a step was only taken when "things get so out of order" that the business of the House could not proceed.



Eric Heffer: risked suspension in forcing interruption

Something like normality was restored when after hurried consultations between government and opposition whips **Mr Bryan Gould**, shadow Trade and Industry Secretary, succeeded in persuading the Speaker to accept a motion to adjourn debate on the bill so as to permit a 90-minute discussion on the British Airways B-Cal merger.

Gould says aviation policy in 'confusion' after merger ruling

BY TOM LYNCH

THE GOVERNMENT'S competition and aviation policies were left in "confusion" following the go-ahead for the merger between British Airways and British Caledonian, **Mr Bryan Gould**, the shadow Trade and Industry Secretary, told the Commons yesterday.

However, most supporters of the Government welcomed the Monopolies and Mergers Commission report and ministers in both Houses insisted that they had no powers to intervene - even if they wanted to - since the commission had found that the merger would not operate against the public interest.

Both **Lord Young**, the Trade and Industry Secretary, and **Mr Francis Maude**, a junior trade and industry minister, warned that the Government would insist on all the report's conditions being met, with a possible further reference to the commission if the new airline failed to comply.

The only voice of outright opposition to the merger came from the Liberal benches, where **Mr Malcolm Bruce**, the party's trade and industry spokesman, said the commission had made the wrong decision. "The Government's airline competition policy is now in total tatters."

Mr Gould said competition was manifestly not now the sole determining factor in competition policy. "Competition has clearly been set aside in this instance." The only way of predicting how the Government would react to takeover issues was "to identify who and where are its political friends".

He accused the Government of abandoning its 1984 aviation white paper strategy of having a second-force airline. "The Government's anxiety to fatten up BA in preparation for privatisation destroyed that strategy by cutting the ground from under BCal."

The Government's failure to support BCal while it was concentrating on privatising BA had left BCal no longer viable. Since it would have been "a disaster" to allow BCal to fall into the hands of a foreign airline, the BA merger was necessary.

Mr Gould was concerned that the interests of consumers had not been sufficiently addressed and was sceptical about the provision that the new airline could, in theory, be awarded none of the routes to be reviewed - the logic of the merger, to create a "mega-carrier", would fail if all those routes went to other operators.

Bryan Gould: competition 'set aside in this instance'

Lord Young told peers he expected the new airline to "implement in full" the conditions suggested by BA and incorporated in the MMC report. He said the chairman of the Civil Aviation Authority would report in a year on the outcome of the merger.

If the new airline did not honour the conditions, it would be open to him to decide, in the event of conflict with public policy, to initiate a full reference to the Monopolies Commission which "takes a year or two and is a very considerable undertaking."

He assured questioners that there was "a real policy of competition in the airline industry. Competition is vital to the maintenance of a good economy. I hope that the furtherance of this bid and the adoption of the conditions will ensure we have a competitive airline industry."

Mr Maude said the Monopolies Commission had reached "a practical and sensible conclusion." Competition would be "the principal criterion but not the sole criterion" of references to the commission.

Challenged by **Mr Tony Blair**, from the Labour front bench, on whether the concept of a second-force airline had been abandoned, he said he could not predict what would emerge from the reallocation of routes.

Liberal-SDP talks gather pace to meet deadline

BY MICHAEL CASSELL, POLITICAL CORRESPONDENT

THE PACE of merger talks between the Social Democratic Party and the Liberals is being stepped up amid growing concern on both sides about their ability to meet the year-end deadline for finalising a ballot package.

The latest round of joint discussions on Tuesday night was repeatedly disrupted by a series of votes in the Commons during the debate on security at Westminster, although progress was made on drawing up key elements of the proposed party's constitution.

It is now hoped that the draft constitution, which should be submitted this weekend for consideration next week by negotiators, will be published next month. The policy prospectus, which the two leaders have not yet started to write, will emerge in early January.

Mr David Steel, the Liberal leader, yesterday announced that the special Liberal assembly to decide whether to put the merger package to a ballot of members will be held on January 23, one week before the the SDP's Council for Social Democracy meets in Sheffield to make its own decision. The Liberals are likely to meet in Harrogate.

Mr Steel made clear his irritation with the detailed nature of the constitutional discussions and said the two sides, which had set themselves a tight schedule, would now have to move more quickly. He said he remained optimistic about the outcome even if the talks were "a tedious process."

Mr Robert Maclennan, the SDP leader, revealed that, in addition to next week's scheduled joint negotiating session, the two sides would meet all day next Wednesday. He said they had been forced to recognise that the work on drafting a constitution was "a painstaking process" but he remained satisfied with the way talks were going.

Mr Maclennan stressed that he was still cautiously optimistic

Challenge by Hain to Labour's soft left

BY OUR POLITICAL CORRESPONDENT

LABOUR's soft left is in danger of running out of steam unless it quickly produces a positive, alternative political agenda, according to Mr Peter Hain, a founder member and former vice-chairman of the Labour Co-ordinating Committee, the left-wing pressure group.

Mr Hain, writing in today's edition of the New Statesman, claims that the soft left has, since 1981, been the most creative force within the Labour Party, "breaking with posing leftism, supplying much of the impetus for modernisation, being prepared to question old shibboleths and think through new policies".

He stresses that while the gravity of the party has moved to the left, the soft left is not strong enough to run the party on its own and has chosen to join forces with the centre in order to retain influence. But he claims that a strong, democratic left force, independent of the leadership, is still needed and that the Tribune-LCC axis has two broad choices.

Mr Hain suggests it can either regroup and embrace others on the left, outside its own ranks, prepared to build a genuinely democratic left or it can look to the centre-right and "a pragmatic, modernised electoralism," the failure of which paved the way for Thatcherism. At present, he says, the soft left has chosen the latter route.

He calls for a reform of the party machinery to shift emphasis away from national-level policy-making and calls on the left to take the party's present policy review seriously and to fight to prevent it from becoming a vehicle for burying radical policies.

Whitelaw pledge on Tory plans in Lords

By John Hunt

THE Government's determination to get its heavy legislative programme through the House of Lords was underlined yesterday by Viscount Whitelaw, Leader of the Lords.

In a speech to the Commons Press Gallery he seemed to be trying to distance himself from his forecast last week that the Government could face a major defeat in the Lords on its Education Bill.

Yesterday he was at pains to emphasise that the Government would get the main items in its general election manifesto - reform of the school system, the poll tax and housing legislation - through the Upper House.

His theme was also in contrast to his fringe speech at the Tory Party conference in Blackpool when he warned of the dangers of overloading the Lords with too many bills.

He recalled yesterday that his views on that occasion had "aroused some interest." But in his experience the Lords had faithfully done their duty in seeking to improve bills.

Sometimes peers had used their votes to ask the Government to think again about some aspects of its legislation. "That is their role. That is what they are there for."

They had carried out that role with great determination and skill and had never sought to frustrate an important government bill during his four years as House Leader.

If opposition peers did try to frustrate key items of legislation they would certainly not succeed.

The Government's programme of important and radical measures laid down in its election manifesto would be concluded and the bills concerned would become law.

Lord Whitelaw, recalling his years as an MP, expressed concern that increased pressure of work on members of the Commons was preventing them from attending debates in the chamber.

Letters which an MP received from constituents had now increased to a 100 or even 200 a week compared with 20 or 30 in the 1950s. This had led to an explosion of correspondence between members and government departments. Home Office ministers now had to deal with 30,000 letters a year from MPs.

The Home Office had to answer 4,000 parliamentary questions annually compared with 600 in 1955.

"All this extra work has taken members out of the chamber itself - the heart of parliament," he argued.

"Fewer and fewer MPs listen to debates. This has reduced the value of parliamentary oratory."

Their time was also taken up as a result of intensive lobbying by interested organisations and individuals on a scale never contemplated a few years ago.

Another casualty had been the weakening of contacts between MPs and ministers and the press. The mutual trust on which the whole lobby system of briefing of journalists depended was not as strong as it was.

Increase in space agency spending 'not justified'

BY TOM LYNCH

BRITAIN refused to increase its £85m contribution to the European Space Agency to as much as £200m because "we were not persuaded that the proposal offered sufficient scientific, industrial or commercial return to justify these enormous sums," **Lord Young**, the Trade and Industry Secretary, said yesterday.

He told the House of Lords at Question Time that the British contribution to the ESA was "already substantial".

The Earl of Kimberley (C) said British industry should have a say in space policy and urged the Government to "match every penny" industry spent on space. Another Conservative questioned whether the Government could afford to pull out, urging instead a reduction in programmes.

Lord Young agreed that British industry should have "a considerable say" in the space programme. "That is why we have resisted the enormous increases ESA has proposed."

The British economy was prospering because "the Government is prudent with the taxpayers' money it invests."

UK NEWS

Japan's London banks focus on profitability

BY DAVID LASCELLES, BANKING EDITOR

SIGNIFICANT SHIFTS are appearing in the strategies of Japanese banks operating in the London-based international banking markets because of the changing environment.

According to an article appearing in today's Bank of England Quarterly Bulletin and released in advance, the period of rapid growth in Japanese overseas banking assets may be coming to an end.

Instead, banks are concentrating more on profitability to meet the stricter capital requirements laid down by the Japanese authorities. Banks are also turning more to the UK domestic market as a source of loan business.

The bulletin says that Japanese banks have 28 per cent of their international assets booked in London, which they regard as a highly flexible and convenient market, of which they now hold the dominant market share.

However, asset growth has begun to slow and an increasing part of their business is in yen rather than in other currencies. That reflects the growing internationalisation of the yen and the rise of the Euro-yen market.

Nevertheless, Japanese banks' lending to UK residents is still small, equivalent to 8 per cent of total UK lending and 3 per cent of sterling lending. Much of the Japanese lending is concentrated in a few sectors: building societies and securities dealers (many of the London-based Japanese houses) and water supply and energy.

The bulletin says Japanese bankers see the UK market as an area of potential growth now that sovereign lending and many sectors of the Euromarkets are stagnant. The financial sector and small and medium-sized companies are favourite targets. Several banks are opening regional branches to tap the market. Many have also established merchant banking operations in the City.

But Japanese bankers say the UK corporate market is not easy to break into, because of the need for research. There are also cultural difficulties in engaging and promoting UK staff.

The bulletin makes no mention of the political controversies that have surrounded the growth of Japanese banking in London.

It predicts, however, that Japanese banks are likely to remain the principal foreign presence in the UK for the foreseeable future, buoyed by Japan's current-account surplus and the banks' view of London as the best place in which to develop a global financial services capacity.

Equity revaluation lifts external assets by 48%

BY SIMON HOLBERTON

THE UK recorded a 48 per cent rise in net external assets to an estimated £114bn in 1986, according to the Bank of England's Quarterly Bulletin to be published today.

A revaluation of portfolio investment, because of the strong performance of world equity markets last year, accounted for more than £26bn of the rise, while net direct and portfolio investment transactions were mainly responsible for boosting external assets by almost £11bn.

The Bank said the UK's position during the first half of this year was largely unchanged, but the situation was clouded by unidentifiable flows in the balance of payments which could have boosted assets by some £4bn.

The report, which compared the UK with other countries in dollar terms, said a huge increase in debt against the US occurred during 1986. US external net liabilities rose from $119bn in 1985 to $275bn last year.

Japan remained the world's biggest foreign investor and creditor with net external assets of $179bn. West Germany's net external assets were $114bn at the end of 1986, the Bank said.

Recent sharp falls in world equity markets, with the strengthening of the pound, may lead, however, to some erosion of UK net assets abroad in the second half of this year.

Although the Bank did not comment on the current situation in the bulletin, it did note that the UK had more than three times as much invested abroad in ordinary shares as the overseas sector had invested in UK equities. It concluded that, "other things being equal, a worldwide rise in stock prices will generate an increase in the United Kingdom's net asset position."

Figures show that income generated from the external transactions of UK banks and other leading financial institutions surged in 1986. Overall, income rose from £1.2bn in 1985 to £2bn last year, mainly to do with a strong growth in earnings from foreign currency business.

The Bank emphasised in the report that the figures it produced were the best estimates available on the basis of identified items. With a cumulative positive balancing item of about £27bn over the 10 years 1976-86, it was likely that published figures overstated underlying net external asset stock.

Also, the Bank noted that "the statistical reporting system is known to capture very inadequately many international financial transactions of companies with counterparties other than banks; certain such transactions have probably been growing in importance recently."

APPOINTMENTS

Short Brothers new managing director

SHORT BROTHERS, the Belfast aircraft and missiles company, announced yesterday that **Mr Roy McNulty** is to succeed **Sir Philip Foreman** as managing director on his retirement next March, writes our Belfast correspondent.

Mr McNulty, the current deputy managing director, joined Shorts in 1978 as executive director of finance administration and was appointed to the main board in 1980.

He was appointed deputy managing director in February last year, with responsibility for the Government-owned company's aircraft aerostructures operations, with the exception of engineering and quality control. He also has overall responsibility for the finance and commercial functions.

A graduate of Trinity College, Dublin, Mr McNulty qualified as a chartered accountant in Scotland before joning the international accountancy firm of Peat Marwick and Mitchell.

Mr McNulty has also held senior management positions in Chrysler UK and the Belfast shipbuilder Harland & Wolffe.

Sir Philip will also be standing down as company chairman in March and the Government will be making an announcement about his successor in that post at a later date.

★

GEORGE OLIVER (FOOTWEAR) has appointed **Mr Graham Taylor** as joint managing director. **Mr Derek Winder**, who holds the post, is retiring on December 5. Mr Taylor was previously sales operations director. **Mr Louis Oliver** has been appointed distribution director. Before his appointment to the board he was group merchandise co-ordinator. **Mr Ray Barrows** has been appointed information services director.

★

BRUCE ENGINEERS, Bicester, has appointed **Mr Mike Jones** as technical director. He was quality manager.

Mr Mike Lomax, joint managing director of Charles Barker City is to join FIRST FINANCIAL ADVERTISING as managing director. **Mr John Goldsmith** becomes chairman and chief executive. First Financial is part of the OSCA group.

★

Mr Jan-Willem van der Velden has been appointed executive vice president of S.G.WARBURG SODITIC, Geneva, and has joined the board. He was a director of Morgan Grenfell & Co., in London.

★

Mr J.A.B. Keeling has retired as a director of CLOSE BROTHERS GROUP and **Mr M.E.A. Keeling** has succeeded him as chairman.

★

THE CHARTERED INSTITUTE OF BUILDING has appointed **Mr Keith Banbury** as chief executive.

★

Mr Graham Creswick has been appointed group finance director designate of SILENTNIGHT HOLDINGS. He was managing director of Ronson.

★

Mr D.W. Graves has been appointed a director of E.W. PAYNE (U.K.).

★

Mr Stephen Tate has been appointed marketing director of MECCA SOCIAL CLUBS. He was a senior consultant at Marketing Dynamics.

★

Mr G.N. Isaac has been appointed a director, and **Mr E.F. King** an assistant director of STERLING BROKERS, a member of the Mayflower Group. **Miss H.A. Catling, Mr D. Trayford** and **Mr P. King** have beome managers. **Mrs J.L. Cornish** has been appointed secretary of Mayflower Group.

★

Mr Jonathan Church has been appointed an assistant director of CHARLES BARKER CITY.

BUSINESS LAW

Designer protection

By Celia Hampton

Two years ago the House of Lords reached what seemed to be a thoroughly wayward decision about making ersatz spare parts for consumer durables.* While the decision may at law have been eccentric, it offered a cunning solution to a complex commercial and legal problem.

The government has now offered its much more straightforward solution in the Copyright, Designs and Patents Bill. At first sight this seems to supplant the fabric of the Law Lords' curious decision, but it may, on closer inspection, simply iron out the most obvious wrinkle and leave the garment in a wearable condition.

The Law Lords' wrinkle protects the designer of an ordinary functional thing, like an exhaust pipe or drive belt, from unwanted imitation for far longer than the main product of which the thing is but a short-lived component. They accorded functional designs full copyright protection, lasting for the lifetime of the designer plus 50 years.

This does violence to good sense, not to mention EC law, and in theory gives the maker of a composite product an extravagant monopoly power in the after-sales market.

This absurdity was tempered by stretching an ancient principle of land law to cover the ownership of any goods. Having given a thing with one hand, a person is not to take away the means of enjoying it with the other. If you sell me a car, you may not make it unreasonably difficult or costly for me to keep it in running order. I have a "right to repair".

Plainly there are difficulties in working this out. An enterprising car owner who welds tin cans together in his workshop is no match for the manufacturer, but a bulk commercial copier in the open market is. Can a company making copies plead in defence a single car owner's right to repair, or all car owners' rights to repair, or should it join a specimen car owner in the action to plead the right for himself?

The House of Lords approached the subject from a different angle - a most unusual one for English law but one which was unexpectedly consistent with the Europen Court's thinking on similar problems.

The exclusive copyright exists and may be enforced, but it must be exercised responsibly. Its exploitation for purposes which were not intended had "gone far enough," said Lord Templeman. The law may not "confer on a manufacturer the right in effect to dictate the terms on which an article sold by him is to be kept in repair and working order."

For the time being this solution is odd, but satisfactory for consumers and the makers of ersatz parts. It is also apparently satisfactory to the EC - a pending Commission action against the UK based on a complaint by Armstrong Patents was suspended after the House of Lords' decision.

It would be quite wrong, on the other hand, to ignore the need of the designer for protection from predatory imitators who scoop the market before he has made any return on his idea.

The government's bill proposes an altogether more logical regime to meet both the innovator's and the consumer's needs. A new "design right" will protect original designs without any need for registration. It is intended for functional things. If the design is also a copyright work, it will not be an infringement of the copyright to make an article to the design or to copy an article made to the design.

What is most significant for spare parts is that it will not be an infringement of the design right to copy features whose shape is determined only by the need to conform to the connections with, or the shape or appearance of, another article. A car manufacturer will not be able to stop the copying of the original exhaust pipe by inserting elaborate bends in the car's chassis or by fixing it only with anti-clockwise screws.

Even without the near-infinity of copyright proper, the length of exclusive rights is of critical importance. The bill proposes a maximum of ten years from the first marketing of an article by the owner of the right, or with his consent, within an overall maximum of 15 years from the first recording or use of the design idea.

During the last five years of the right's life, anyone is entitled to a licence from the owner to reproduce articles from the design. This will happen between five and ten years after the design's conception. If reasonable terms (royalties, distribution, etc) cannot be agreed, the Comptroller of Patents will decide them.

The EC is likely to give approval to five years' outright protection for car parts in particular. Ford Motors, having faced censure by the Monopolies and Mergers Commission and action by the EC Commission for the licence terms it imposed on independent panel makers, was allowed to refuse a licence in the first seven years after marketing the vehicle for which the panel was designed.

This seven-year period is reflected in the EC Commission's proposed exemption from competition law of agreements licensing the use of know-how - a species of intellectual property which has features in common with design rights.

In the UK the responsible minister will be able to issue orders cancelling or changing conditions in design right licences, or providing that licences should be granted to applicants. This power will only arise in the last five years of protection and only after the report of the MMC, whose own impotence to make orders was demonstrated in the Ford case.

The length of protection is predictable for spare parts, since popular demand for an item will normally only start with the marketing of the product of which it is a component. Nevertheless five years is a longer time for some goods than for others. Car parts tend to be heavier-duty than, say, light fittings or tool parts. The main product could still be obsolescent before its parts are out of protection.

A time lag also furnishes opportunities for freezing out the competition. Failure to market a design at all could stop a competitor from doing it himself for ten years. Changing the design to produce a new design could start a new peiod of protection running.

There is scope for a flexible remedy to stop abuses. The consumer's right to repair may have some life left in it. The right was not a statutory creation, but was "uncovered" by the judges as part of the underlying common law, albeit in the spirit of invention and with no support whatever from Lord Griffiths.

The Law Lords' judgments place no time limit, otherwise than by what is reasonable, on the use of the right to repair. The language in which the new design right is framed is analogous to the terms of the copyright which they were intent on recognising. Since they expressed the "right" to repair as a restriction on the exercise of the copyright, rather than as a right exercisable only in the hands of a disappointed consumer, it is clearly intended to be of general application. As an argument in private litigation, the device could yet get the judicial clarification it certainly needs to become fully intelligible.

Although the introduction to the bill says simply that it reproduces the government's proposals in the white paper on innovation (Cmnd 9712), they have been very significantly moderated by excluding those spare parts and bits of spare parts which are designed only to make them fit into the larger product. In September, Michael J. Reynolds, Brussels-based partner in *Allen & Overy*, considered it most likely that the white paper's original proposals - five years' outright protection for all designs, including spare parts - would conflict with one or more principles of EC law.**

After several searches through the voluminous bill, the right to repair appears (to me, at least) to remain intact. As common law, it can survive unaided and bide its time until it is needed, maybe to help the mass users of disposable space-craft liners.

* *BL v Armstrong Patents (1986) 1 AER 520.*

** *Copyright and Motor Car Spare Parts: UK and EEC Aspects, 8th Conference on Business Law, International Bar Association Section on Business Law.*

The author is deputy editor of the FT Business Law Brief; editor of the Bulletin of Legal Developments; and author of Criminal Proceedure.

MANAGEMENT: Marketing and Advertising

Government privatisations

The ups and downs of share advertising

Feona McEwan assesses the realities of the campaigns

IF THERE were a prize for the most outstanding communications effort of the 1980s, front-runners would surely be those who have been promoting the British Government's privatisation share offers. Today one in five adult Britons is a shareholder. Four years ago, it was one in 20, though credit must also go to employee share schemes.

Before British Telecom in 1984, which was the largest flotation the world had seen and the first to aim heavily for the small investor, suggestions that 20 per cent of UK adults would become share owners in so short a space of time would have been highly questionable.

The task for marketers of privatisation issues has been unusual, not to say perverse. They have been aiming for a successful share issue, but they have been forbidden from mentioning shares in much of their advertising, especially on television. There could therefore be no recommendation; just an abstruse approach inviting the public to share in a company's future. Even worse, at the outset of the privatisation programme the public initially showed little interest.

On the other hand, it helped to have a bull market and a government committed to the concept of "people's capitalism." Telecom was a resounding success and others soon followed to greater or lesser acclaim, including British Aerospace, Britoil, British Gas, British Airways, and BAA (the airports authority). In similar promotional vein, but not a government privatisation, was the TSB bank campaign.

But is the very success of the government's flotation programme in danger of backfiring? All was well in a bull market but come the crash - which happened last month - and the small investor catches a cold. What then? Given the consequent flop of the BP launch, critical asessment of the creativity of privatisation advertising has been superceded by questions about the morality of it all. Do new investors, many of whom have never played the stock market before, really understand its ways?

It appears many don't, since, despite an offer price well above that available in the market, more than 270,000 private investors queued up for BP shares. Many believe this lemming-like behaviour underlines how much more education remains to be done.

Anthony Carlisle of Dewe Rogerson, the communications company that has guided six of the major flotations, including BP, prefers to point out the 6.25m people who enquired *about the offer but chose not to* pursue it in the light of the changed climate.

So was advertising at fault in any way, either in tone or weight? Did the government, through its blitz marketing techniques, con the public - or, at least, lull it into underestimating the risks by playing down the *fact that shares can drop?* Are the regulations in need of tightening as happened with takeover advertising last year?

Certainly, one issue on which there is little debate is that advertising works in popular share offer marketing and that it is needed in order to activate that market. "In order to promote the practicalities of wider share ownership, you have to tell people what you're doing," says one broker. "All campaigns in this respect have been successful."

The difficulty arises with the attempt to achieve maximum-price as well as wider share ownership. The BAA flotation in July underscored the problem. The demand generated was too great for the number of shares available. "The lesson, if there is one," says one leading analyst, "is to have a restricted amount of advertising commensurate with the size of the share issue. In future, with the benefit of hindsight and the experience of BP, this aspect may need to be looked at."

Other City observers are concerned with the increasingly dogmatic tone of the advertising. The message, "BP - Be part of it," comes over as more of a command than an opportunity, say some. "I think there will need to be a rethink about the use of media to ensure that the message put to investors is legitimate," comments David Clementi, managing director of Kleinwort Grieveson, which, as Kleinwort Benson, was the lead merchant bank handling the Telecoms issue.

The message is getting clearer and firmer with every new issue. "This is dangerous," says one banker.

In three years the slogans have moved from "You can share in BT's future," to "If you see Sid, tell him," for British Gas, to "Now it's your turn to say yes" for the TSB, to "BP - Be part of it."

However,the City noted with satisfaction that the government pulled the advertising when the market collapsed. "It behaved responsibly," says Lorna Tilbian, analyst with Sheppards.

Views are split about whether there is enough of a government warning that share prices can drop as well as rise. Certainly commercials on television and posters do not carry that message, *but then the advertising* industry would argue that these media do not in fact promote shares directly. By comparison, all press ads and literature coming out of the share offer offices make it abundantly clear.

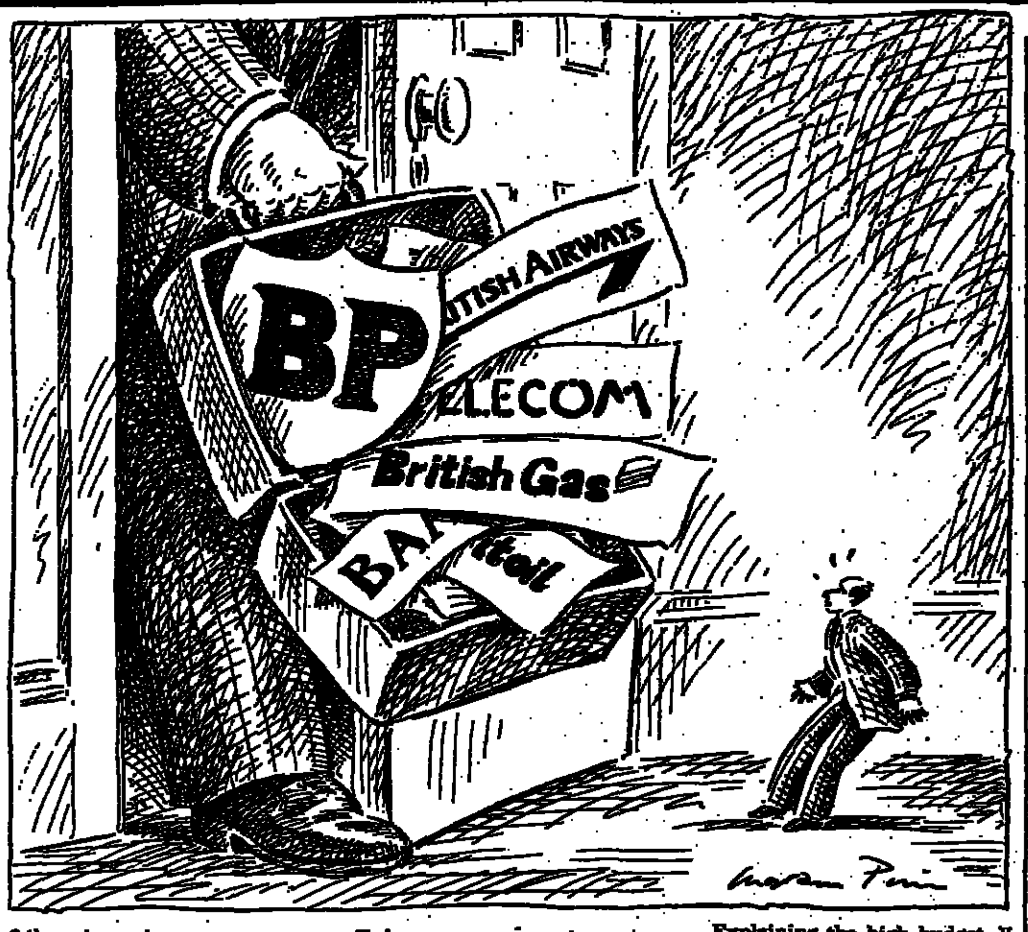
Many city observers believe that since the price of shares in every privatisation issue after BT has increased, many people view the market as a gravy train.

Beyond the financial and moral concerns, there is criticism on the creativity of share offer advertising. Deadly dull, uninspired and boring are some of the kinder epithets.

To address some of these issues it is necessary to track back to the flotation that became the rulebook of them all - BT. At the time, the marketing team handling the campaign admits it was working blind since there was no precedent - it was seven times bigger than anything previously seen anywhere including the US.

When the run-up to the Telecoms launch began in 1983 wider share ownership was more a concept in the minds of some government ministers than a fact among the public. As it transpired, the drive towards the public was stumbled upon rather than pre-ordained, according to those involved in running the campaign. Up to two months before the share issue in November 1984, City and media pundits were predicting a failure. Politicians refrained from talking about it until near the end.

For the marketing men, the wider share ownership concept answered a prayer. Once it was mooted, the task of making a £4bn share issue a success - which was the brief - became viable.



But theory was one thing, public interest another. First signs were negative. A heavy research programme indicated the public could not care less.

Gloom at Dewe Rogerson. Together with MORI, the pollsters, Dewe Rogerson changed tack. Did people want to own part of BT, it asked. To its relief, 25 per cent said they were very interested, which was more than sufficient to see the flotation through.

Research also showed that any lack of interest in share ownerhsip owed more to ignorance than to feelings that such investments were risky.

The findings provided the framework for the marketing campaign. Long before the flotation campaign got under way, Telecoms' agency, Dorland, had unveiled a corporate advertising campaign, "Power behind the button". Running counterpoint to this was an anti-privatisation campaign from the British Telecommunications Unions Committee.

One of the the important *points about marketing financial* products is to avoid overt coercion. The IBA Code of Advertising Practice specifically prohibits the selling of shares on television. Also it forbids any hint of hype of the company being sold. Political advertising is also unacceptable and the Telecoms campaign was regarded by many as political.

Because of legal and other restraints, Dorland tackled the first-time investor by creating a sense of national event, the aim being to generate widespread interest by making it the talking point in pubs, offices and shops.

The result? The public applied for more than five times the shares allotted. Six months later only 0.5m of an original 2m-plus applicants had sold their shares, indicating that a large majority were not just stagging the issue.

The cost? - about £12m for the corporate and £11m for the flotation campaign. British Gas, which followed, was an even bigger deal at £5.5bn. The cost this time was nearly £28m.

Reflecting on the costs of privatisation budgets one banker remarks: "It's driven by ministers who must ensure their targets. I have some sympathy with them. For that sort of money is very very small compared with the total amount raised and for getting a happy voter/investor."

The creative approach of the Gas campaign, "If you see Sid, tell him", is undoubtedly the most memorable yet. Sid got into the vernacular, into the headlines and ultimately on everyone's nerves. But he worked. Every week in the two month run-up to the flotation, agency Young and Rubicam produced a new TV commercial conveying a new angle on the sale information.

Explaining the high budget, Y and R's deputy chairman, Tim Lefroy, says: "The stakes are massively high and the cost of failure immense." Result? About 4.5m applicants - and 2.2m of these were first-time buyers.

Finally, there was BP. It began with less than 25 per cent of people knowing shares were to be sold (this was a far lower starting point than Gas which had 50 per cent awareness). Also it was a secondary offer of a government stake in an already public company, without the excitement of a new offer.

Overall the BP advertising campaign cost about £15m. There were 6.5m enquiries, though in the wake of the stock market collapse, only 270,000 people actually applied.

With the prospect of water and electricity privatisations hovering in the wings, the role of advertising in the marketing of shares is likely to continue to be a crucial one. On the question of effectiveness, the general view within the marketing industry and the City is that such campaigns serve the purpose of generating wide public interest.

However, it is on matters of tone, content, and the sheer amount of the advertising that opinions are clearly split. For any future privatisation issues the cost of campaigns may well be called into question and there may be pressure for the message to indicate more clearly the nature of equity investment.

Consumers willing if product is 'able'

The suffix is all. Tony Thompson reports on the North American cult of convenience

BUZZWORDS are the lifeblood of the packaged goods marketers. A few years back it was "new" or "improved", generally with the mysterious "formula X". Now, it seems, "less" and "more" are the trendy tempters to hook the *healthy food brigade. And cus*tomers seeking convenience products are being dazzled with a barrage of labels using the suffix "-able".

During the first six months of this year, according to Marketing Intelligence Service, in Naples, New York, a consumer products reporting service, new entries purporting to be "disposable", "microwaveable", "chewable", "pourable", "portable", "squeezeable" or "washable" amounted to 334, compared with 427 for the whole of 1986. The numbers look even more impressive when set against the tally for 1982 of 196 which used the "able" tag.

With *more than 50 per cent* of US homes now owning a microwave oven, it is not surprising that "microwaveability" leads the pack with some 181 entries recorded between January and June. Five years ago the annual total of microwaveable new products was only 47. This year American shoppers will be faced with *more than 300 new* choices to pop in their ovens.

But the snack-on-the-run market is not the only trendy target. The diet conscious are also seen as a group worth pursuing. Joy Mauerhoff, managing director of MIS in Toronto, was browsing *through* its database when she noticed that there seemed to be an unusual number of products positioning themselves as having more of the perceived good things in them and/or less of the well publicised baddies.

A thorough search of the database proved her hunch. In 1987, MIS forecasts a total of 360 products will be introduced or repositioned by the "more" lobby, over double the 160 for five years earlier. Leading "mores" are calcium, vitamins, and real fruit or juice.

Finally, there's "less". Less calories is still a leader, but sugar, fats, salt, and other popular baddies are expected to feature on 160 new or repositioned entries by year-end compared with 65 in 1982. And those figures do not include "reduced" or the "sugar/salt/fat/frees".

Indeed, there is so little left of the ingredients that made some products popular that one begins to wonder if there is any point in buying *them*.

THE GROWTH OF THE ABLE LABEL

	1982	1984	1986	1987(est)
Disposable	100	136	146	137
Microwaveable	100	115	273	411
Chewable	100	146	98	115
Pourable	100	139	129	128
Portable	100	98	112	267
Squeezeable	100	33	72	68
Washable	100	42	53	114

Marketing abstracts

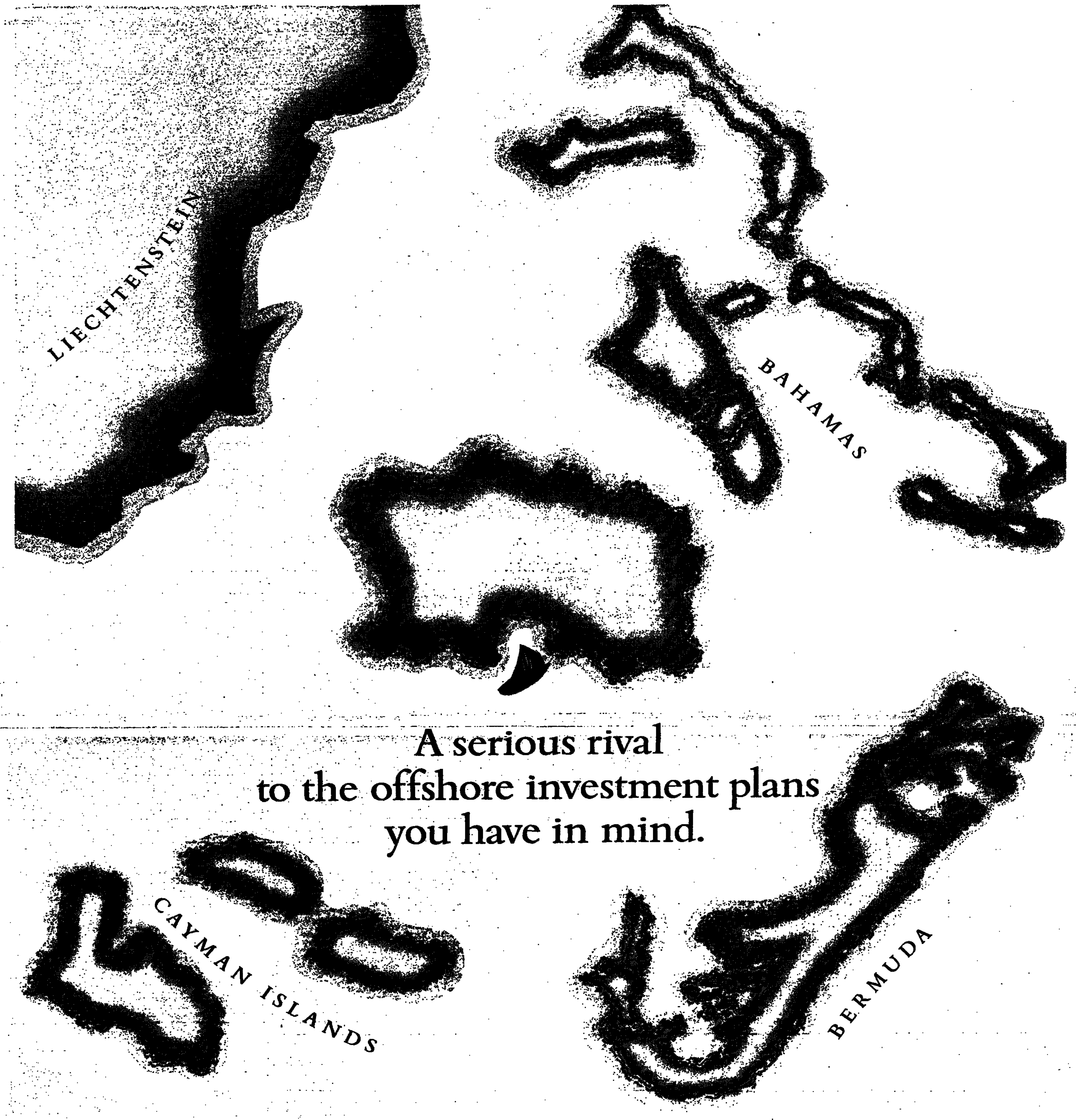
The Next headquarters, *by C Davies and R Barbrook in The Architects' Journal (UK), 27 May 87 (16 pages)*

A feature on the retailing company's HQ. The drawings and pictures give an impression of a great deal of steel; the text points to the desire to involve everyone, for instance through the use of a mall with mock shops. Refers to the building's role in reflecting the Next lifestyle.

Marketing the premium product, *by JA Quelch in Business Horizons (US), May/Jun 87 (7 pages)*

Examines factors contributing to the growth of premium marketing - the marketing of high quality, high priced and selectively distributed brands of consumer goods. Indicates several important facets of the 'premium' tag, explores the options open to mainstream marketers wishing to enter the premium market, and notes pitfalls - particularly the dangers of an over-aggressive or over-conservative marketing approach. Outlines strategies for maintaining growth and staying on top.

These abstracts are condensed from the abstracting journals published by Anbar Management Publications. Licensed copies of the original articles may be obtained at a cost of £4 each (including VAT and p+p; cash with order) from Anbar, PO Box 23, Wembley HA9 8DJ.



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WARBURG INVESTMENT MANAGEMENT JERSEY

Exhibitions in Geneva/Paula Deitz

Led by the Minotaur's thread

Geneva is a market town of European culture, a crossroads where intellectual movements from many countries meet. Its own contribution to this melange has long been the artful association of word and image in its finely printed, illustrated books. And currently a provocative exhibition at the Musee Rath, *Minotaure: From Picasso to the Surrealist - Albert Skira's venture* (to 31 January) pays tribute to the Geneva publisher, Skira, whose name is synonymous with the marriage of art and poetry. It also evokes the period from 1933 to 1939 when his review, *Minotaure*, published in Paris, was a critical catalyst in the development of the modern movement in art.

Contrary to the articles on already established artists published by to-day's art journals, *Minotaure* was conceived by its founders as the core of the creative moment itself. Its role in the visual arts and other emerging fields - like ethnography, archaeology, psycoanalysis and the performing arts - was to link them to what the editors forsaw as a universal Poetry. Nothing now published about the arts, which tend either to look to the past for inspiration or thrive on idiosyncratic independence, compares with the 13 issues of *Minotaure*, which embodied a vision, as the London art historian Valerie Holman states in the catalogue, "by showing the whole process from idea to form."

Organised by the Musee d'Art et d'Histoire with scholars from Geneva University and supported by IBM, the exhibition's 300 works, which include paintings, sculptors, collages, drawings, prints and photographs, are drawn from those featured in the Reviews' 1500 illustrations. Where specific works could not be obtained, those close in spirit were selected; and archival material - postcards, letters and other personal memorabilia, carefully interspersed, relates the texture of the experience as the editors shifted from classic tastes - Picasso, Matisse and Braque - to the Surrealism championed under the later guidance of Andre Breton.

Seeing these works in tranquil galleries 50 years after the fact, one can sense nevertheless the ferment of how "everything led to everything else, by the widest variety of processes," as Professor Emeritus Jean Starobinski writes in the catalogue. On the other hand, 50 years have passed, and what once seemed daring in the free-associative and subconscious images of the Surrealist painters Dali and Tanguy is no longer as fresh and Modern, say, as the startling sequence of photographs of Paris at night by Brassai from the same period, particularly of the softly illuminated tree trunks in his "Quai de Bercy," or of the silhouetted "Roofs seen from the Rue la Boetie."

Photographs were also used to report the creative process, like Brassai's photographs of Picasso's Boisgeloup Studio in the first issue, which show unfinished sculptured heads as they relate to each other; a charcoal study of one head gives an even earlier view of the image. Picasso was already absorbed with the myth of the bull-headed Minotaur imprisoned in the Labrynth, as was Andre Masson, before the image became the review's symbol; and his cover collage for the first number featured his distinctively muscular Minotaur, seated and holding a dagger against a background of lace doilies, corrugated paper and leaves. This cover design and subsequent ones by Miro, Dali, Matisse, Magritte and others open the exhibition, and - as almost the best art in the show - in series follow the progressive development into the Surreal. At the end, Breton's preoccupation with Mexican art is reflected in the final cover by Diego Rivera, of an upside down Minotaur over scattered skulls and bones.

One entire gallery is given over to the second number, which covers the 1931-1933 Dakar-Djibouti mission among the Dogon People of west Africa, sponsored by the Institut d'Ethnologie in Paris. Though we are no longer strangers to African art, the stark display of masks embellished by shells, beans, and braided fibre nevertheless conveys the power of that earlier experience, when European artists first made contact with these ethnographic images which were to become one more ingredient in the Modernist sensibility.

Throughout the succession of rooms, the pace quickens until the full flowering of Surrealism in the lower galleries, accompanied by numerous example of the more extreme automatic or spontaneous processes, like the "Decalcomanias" created by Breton and his friends, that resemble variations on caverns in snowstorms. In the main, sculptures triumph over paintings, for assemblages like Hans Arp's painted wood relief of amorphous shapes called "Tortured of Tristan Tzara's Shadows," and Joseph Cornell's "Assemblage under Glass Bell" of a hand holding a rose, still fascinate and puzzle in a way the now more obvious pictures, with their juxtaposition of strange objects, do not.

And again Brassai's photographs in his surrealist mode of a rolled-up bus ticket against a textured background, or another of Picasso's reliefs, "Butterfly Collage," underline in this exhibition that photography is the triumphant survivor into our time. Not only Brassai's work, but also Man Ray's suggestive "Veiled Erotic," or his humerous rendition of the Minotaur image, using a female torso. And from Mexico, the photographs of Manuel Alvarez Bravo depict intimate views of the life and ruins of his country.

Skira himself comes off well in the exhibition, with portraits by Brassai, Man Ray, Matisse and Giocometti, as do the illustrated books he commissioned - Matisse's etchings for Mallarme's poems and Dali's etchings for the Comte de Lautreamont's "Les Chants de Maldoror." The catalogue itself, published in separate English and French editions and produced under the direction of Editions d'Art Albert Skira in Geneva, is a kind of final souvenir of *Minotaure*, with many interviews with surviving participants, like Andre Masson before his recent death. After Geneva, the exhibition moves onto the Musee d'art Moderne de la Ville de Paris, 17 March - 29 May 1988.

Picasso's frontispiece for Minotaure No.1

In keeping with this tradition, just up the hill from the Musee Rath at 11 Grand Rue in Geneva's Old Town, the Gallerie Patrick Cramer has been exhibiting fourteen of the rarely seen lithographs by Braque which illustrate Rene Schar's poem "Lattera amorosa," in a 1963 edition published in Geneva by Edwin Engelberts. Seen together, these prints bring to the surface the freshness of Braque's whole catalogue of images, as well as of his distinctive pallet - from deep Braque blue to the palest green. "Le soleil," with leaves seen through a transparent sun; birds in flight; a still life with lemons; and richly blooming irises are the perfect complement to Char's prose poem inspired by a musical composition of Monteverdi.

4-hand Ravel/Wigmore Hall

David Murray

It may have seemed a good idea for the justly admired pianist Angela Hewitt to round off her solo Ravel recitals with a programme of his music for four hands. On Tuesday it proved a mistake that should under no circumstances be repeated. The best duo-pianists are rarely full-time soloists; in tandem, Miss Hewitt was hardly recognisable as the notable artist she is. No blame attached to her partner Akiko Ebi (who seemed, as far as one could tell, to be another accomplished performer), nor was there any serious clash of intentions or style; they simply made a lacklustre, barely competent team.

They hit rock-bottom at the start, in a performance of the duet-suite *Ma Mere l'Oye* - Ravel's only substantial four-hand work - that was bumpy, loud, gracelessly rushed and singularly ill-balanced (often faithless to the composer's markings, too). It is inconceivable that either of them alone would sound like that in, say, the *Valses nobles et sentimentales*. They did no particular harm to the only real two-piano pieces, the tiny "Frontispice" and the early *Sites auriclaires*; a transcription of the "Fanfare" Ravel contributed to a ballet raised a suspicion that they hadn't consulted the orchestral version.

The suspicion was probably unfounded, for everybody knows the opulent second *Daphnis* Suite, and yet the main musical threads here were submerged time and again amid hopelessly erratic dynamics. Their "Danse generale" was a churning grey soup. Leon Roques' workaday transcription - Ravel had the sense not to attempt one: he only transcribed some gentler sections for solo piano - is of the kind that leaves all the work of sorting out the sound to an experienced, resourceful duo; a novice pair hasn't a chance.

The *Rapsodie espagnole* is a leaner score which the composer transcribed admirably, and his two-piano "version" of *La Valse* was actually, I think, the original. Between them they enjoyed perhaps a total six or eight minutes of goodish playing; but indifferent ensemble devitalised much of the *Rapsodie* which seemed a blurred carbon of itself, and balance-problems repeatedly sabotaged *La Valse*.

Capricorn/Purcell Room

Richard Fairman

It is too early yet to tell what lasting changes of direction the new Soviet policy of *glasnost* is likely to promote among the country's musicians (a Russian colleague tells me there is barely an area of life in which it is not already starting to have an effect). But Tuesday's recital by the chamber group Capricorn - one of a pair, the other following tonight - rather seemed to beg the question.

For though it gave us four active composers, each striking out on a new and individual path, almost all the music that was played dated from just before the *glasnost* era. Perhaps the most that can be said with any degree of certainty is that recent compositions often show a leaning towards beauty of sound for its own sake that we might not have expected a couple of decades ago, and so far the trend seems likely to continue.

Both Elena Firsova's *Spring* Sonata (1980) and Edison Denisov's Clarinet Quintet (1987) fall enchantingly into this category. While the Denisov piece does at least keep a distinct melodic pattern under its rippling waves of sound, Firsova's Sonata seems to have materialised from nothing at all, so light and airy are its textures. This is music of the utmost refinement and the delicately expressive flute solo of Ileana Ruheman did it full justice.

Shnitke, meanwhile, defiantly remains a law unto himself. All of his works indulge parody and grotesqueries that set them unmistakably apart and the Piano Quintet (1976) is no exception; but in its two slow movements (played with admirable concentration by the members of Capricorn) this piece also plumbs disturbing depths of blackness and despair. It seemed to me the most substantial and important item of the evening.

The programme was completed by the earlier of Shostakovich's Piano Trios and a couple of pieces by Arvo Part - *Fratres* and *Spiegel im Spiegel*, whose very simplicity of language speaks of a composer who is different yet again. When pieces of music as diverse as these are set one after the other, it certainly becomes difficult to reconcile the concept of an official Soviet musical style imposed from above with what one hears.

The New Inn/Swan, Stratford-upon-Avon

Michael Coveney

Here is a real surprise, and a real treat. There are plays of Ben Jonson you might have expected to see in the Royal Shakespeare Company's Swan Theatre at Stratford-upon-Avon, but *The New Inn*, unperformed since 1629, save for an unremarked revival at the Chelsea Arts Club in 1903, would not be among them.

The first performance was hooted off and Dryden and Hazlitt ("A play I can read with no patience") are discouraging. Jonson was bed-ridden after suffering a stroke and never saw it acted, though he had no qualms about blaming the "negligent" actors and "squeamish" audiences for its failure. The RSC director, John Caird, however, uncovers a glowing comedy of tavern life and romantic reconciliation that relates the play to the best RSC humanist traditions: *The Winter's Tale* meets *Nicholas Nickleby*. It also comes across as a near perfect resolution of the Jonsonian intellectual tension between learning and hedonism.

The eponymous hostelry, the Light Heart at Barnet, is as metaphoric a mansion of pleasure as Chaucer's Tabard Inn or Shakespeare's Boar's Head Tavern. The Swan itself becomes this place, Goodstock the Host (Joseph O'Conor) keeping a seat among the audience while the Burtonian melancholic scholar, Lovel (John Carlisle), defies the invitation to pleasure in a candlelit eyrie, where we see him dissecting insects under a magnifying glass.

The nostalgic, reflective vein of the play is a statement of Jonson's dissatisfaction with the present. The Tudor values of education, nobility and honour are recalled in the muscular conversation of the Host and Lovel. The latter's love melancholy is fed on an infatuation forbidden by his sense of duty to the young noble Beaufort, himself a suitor of the Lady Frampul. When these two arrive, in separate trains, revels are instigated in the form of a Court of Love, presided over by Frampul's ingeniously creative servant Prudence (a lovely performance by Deborah Findlay).

Alastair Muir

John Carlisle and Fiona Shaw

In exchange for two kisses, Lovel delivers two long Platonic speeches in praise of Love and Valour. They are among the finest things Jonson wrote, and Mr Carlisle's delivery of them is electrifying. Not only does he attack the tavern low life and its posturers so beautifully delineated in other scenes, he also shatters the masque-like artifice of the charade with eloquent persuasion. The virginal Lady Frampul (Fiona Shaw) is quite undone and melts. Miss Shaw, a temperamentally non-submissive actress, registers the onset of passion with a wild-eyed panicky confusion.

As Anne Barton has pointed out in her majestic study of Jonson (published in 1984, the same year as Michael Hattaway's superb Revels Plays edition of this text, an essential companion to the RSC's programme), *The New Inn* is a Shakespearian wish-dream. Dressing up leads to character revelation. The host is no more what he seems than is the old Irish beggar woman who nurses his supposed son. A family is reunited, marriages proposed. The ephemeral chill felt by Lovel at the end of his ordeal, as of "a court removing or an ended play," is a prelude to the promise of happiness he has earned.

It is this discovery of the play's dramatic motor that makes the revival so exciting. The company inhabits the play and the theatre (the two coalesce) with an irresistible relish, much aided by Sue Blane's glorious Caroline costumes, Guy Woolfenden's mellow song-settings and Wayne Dowdeswell's golden lighting. The comic and metaphoric worlds are linked in the splendid farce of the tailor Stuff (Ian Barritt) who kickstarts his libido by dressing his wife Pinnacio (Jane Leonard) in customers' finery and seducing her in the suburbs. Romford, Croydon and Hounslow are other favoured sexy bolt-holes.

But all of Mr Caird's tavern fantasists come to unforgettable life. Richard McCabe's hilariously Hispanic Sir Glorious Tipto and Clive Russell's sinister supervisory Fly are the vital, conversational counterpoint to the bedrock realism of the resident staff, notably Griffith Jones's wonderfully imperturbable chamberlain and Jimmy Gardner's gibbering and put-upon little old ostler.

Mishima Plays/Gate, Notting Hill

Martin Hoyle

The ever enterprising Gate Theatre, above the Albert pub in Notting Hill Gate, has launched a wide-ranging Japanese season. Playreadings are promised, besides workshops on poetry, music and performance; cookery and fashion are scheduled in a mini-Nipponese festival sponsored by the GB Sasakawa Foundation and the Japan Foundation - a fit gesture of confidence in this tiny powerhouse whose ambitions have always courageously exceeded their air-conditioning.

They kick off with a double-bill of short plays (about half an hour each) by the late bizarre Yukio Mishima who characteristically syncretizes native traditions with a sardonic modernity, one eye on western influences, and proves that there are Noh plays like home. The first, *The Lady Aoi*, takes the time-honoured theme of demonic possession: a young wife is troubled by the malign spirit of her husband's former mistress. Mishima sets the story in a private hospital room (a cool white interior designed by George Souglides with windows for the final *grand guignol* flourish) where an increasingly dotty nurse confesses herself attracted to the patient's husband. "We've all been psycho-analysed and all our sex complexes have been cleared up," she throbs. "*All* of them." A mysterious, stylishly-dressed lady who visits the unconscious invalid at midnight turns out to be Yasuko, the discarded mistress; she evokes magic nights on the lake to lure back her spell-bound lover. Moans from the tossing figure on the hospital bed break the enchantment despite Yasuko's hiss that it is "only a chicken gnawed by a fox." A final twist reveals what had in fact been implied from the beginning: Yasuko is at home in bed; this is her spirit leaving her body to torment the rival.

In *Hanjo* Mishima adds a dash of bittersweet abrasiveness to the legend of the girl who went mad waiting for the return of the lover with whom she had exchanged fans. In the original he returns, she recovers and a happy reunion ensues. Here the girl is protected by a spinster painter of 40 (her description, feminists, not mine) who tries to keep her apart from the returning man. This, it transpires, is unnecessary. The girl refuses to recognise him, claims he has the face of a dead man, and stays with the older woman, with a final "I hate people who talk in such loud voices." The romantic image of love is preferable to the reality. The girl is left with the memory of the eternally unattainable; the woman keeps the girl, equally unattainable.

Donald Keene's translation is clear and unobtrusive. In Robert J. Carson's production Siobhan Wills makes a sleekly supernatural mistress and a desperately yearning spinster, while Jack Fortune convinces as a smoothly ineffectual husband (his returning rover is slightly less focussed). Kate Gartside is both devil-stricken wife and romantically crazed geisha; Adrienne Hill quavers loopily as the nurse, a warning if any were needed against the privatisation of the health service. Two rarities gratefully received. Sundry Japanese attractions continue until December 19.

The Fighting Kite/Stratford East

Claire Armitstead

The theatre of racial oppression thrown up by inner city Britain in the '80s has a new exponent in 24-year-old Harwant Bains, the British-born son of Punjabi parents who has set his first play in his native Southall. His theme in *The Fighting Kite* is the struggle for living space by a generation of young Asians boxed in on the one hand by the aggression of white, working class racism, and on the other by the outdated traditionalism of their own parents.

Kulwant, Khalid and Gurdeep are three such youths whose reactions to a common adversity have sent them down very different roads: Kulwant (Dominic Hingorani) is a college drop-out who waxes lyrical about "alienation;" Gurdeep is the embodiment of the mercantile ethic and Khalid (Neran Persaud) styles himself sentinel of a community under siege.

"If it wasn't for nutters like me," he tells his sister, who is fighting her own battle for emancipation, "you wouldn't be able to walk free." And that, despite the fact that his death becomes inevitable as soon as he arms himself against the taunts of the local boot-boys.

Bains' message is a depressing one: that like the game of fighting kites from which the play takes its name, urban life today is a territorial contest which will only end with the severance of one or other contestant. The only way to survive is to buck the game, either through cowardice, like Sunil Tanna's shopkeeper Gurdeep, or, more interestingly, through some sort of higher wisdom, like Guru, a character who is part clown, part tramp and part wise man, who wears a tea cosy over his turban and consults the stars for unreliable racing tips.

With Guru, imbued with an impish charm by the estimable *Dev Sagoo, Mr Bains taps into an* Indian classical tradition of gods in unlikely guises, relaxing into a character and a speech that are interesting, amusing and original.

Elsewhere, his dialogue tends to emerge as manifestos from characters who run predictably to type. Much of the acting is immature and much of the staging clumsy. Jeff Teare's direction furnishes a brutish opposition of bleach-faced skinheads who roar from the walkways like caged bulls, but his production is never tight enough to capture the menace and looming tragedy that should stalk the characters *through the play.*

Arts guide

November 6-12

Exhibitions

LONDON

The Tate Gallery. Turner in the new Clore Gallery: The Turner Bequest, which amounts to nearly 300 oil paintings, finished and unfinished, and a further 19,000 or so watercolours and drawings, has been a source of controversy and dissension ever since it came into the nation's hands more than 130 years ago. Turner had always wished for a gallery to himself which would show all aspects of his work. Whether he would have approved of James Stirling's extension to the Tate as a suitable setting is a nice question. The larger paintings may be hung too low for one who lived in a more ostentatious age, and the tasteful oatmeal Stirling has decreed for the principal galleries is a far cry from the rich plum he is known to have preferred. The vulgar neo-deco of the entrance hall has little to recommend it. But eight rooms for paintings and one for watercolours give room enough, and with the three reserve galleries upstairs, every painting but the few in restoration or on loan is on the wall.

PARIS

Five Centuries of Spanish Art: An ambitious ensemble of four exhibitions retraces the history of Spanish art from the Golden Age to today. The two most important exhibitions are Greco To Picasso at the Petit Palais and Picasso's Century at the Musee d'Art Moderne.

In the Petit Palais is Greco with a vast visionary Baptism of Christ, Velazquez with a portrait of Philippe IV in his hunting clothes, and Goya with a portrait of Marie-Louise in a black-lace mantilla.

Picasso's Century is dominated by the master, from the period of analytic cubism to 20 preparatory sketches for Guernica and to his last works. But there is also Juan Gris, and Miro, Dali and Tapies. Petit Palais, Ave Winston Churchill; Musee d'Art Moderne de la Ville de Paris, Ave President Wilson. Both exhibitions are closed on Mondays and both end on Jan 3.

Fragonard: The Grand Palais is staging the first retrospective of Fragonard in collaboration weith the Metropolitan Museum, New York. About 100 paintings and as many drawings celebrate the artist's love of beauty, in which he saw a manifestation of "nature's perfect health". The depth of observation in his Roman landscapes, mythological scenes and portraits counterbalances the decorative facility of the Scenes Galantes so typical of the 18th century. Grand Palais. Ends Jan 4.

Artcurial presents a panorama of 12 years of its activities in favour of contemporary art as a gallery, a library and as an editor of "multiple originals" of statues and jewels, contemporary furniture, Sonia Delaunay's personal dinner plates and a 1930 carpet. The gallery's exhibitions have tried to present the image of the 20th century. Sonia Delaunay was followed by Giorgio de Chirico, Zadkine's retrospective by Man Ray photograsphs. There was sculpture by Chadwick and the art of the poster by Matisse. All culminated in a homage to the late President Pompidou - like Artcurial a lover of the avant-garde. Artcurial, 9 Ave Matignon (42991616). Ends Nov 14.

Landscape in the Flemish and Dutch Schools: Light and colour change but the painter's pleasure in recording them never varies. The Brueghel Dynasty, the Bredael Brothers and Charles Beschey are represented in paintings on copper plates or wooden panels of unassuming proportions but in all the perfection of their art. Galerie d'Art Saint-Honore, 267 Rue Saint-Honore (42601598). Ends Dec 4.

WEST GERMANY

Munich, Staatsgalerie Moderner Kunst: Sculpture from the German Democratic Republic (East Germany). A result of the cultural agreement of May 1986 between East and West Germany, this exhibition includes 130 sculptures, some of them larger than life, and about 60 paintings of sculptures by 51 artists, and covers four decades. It offers a view of graphic works that have not even been seen in East Germany before. Among the artists are Gustav Seitz, Fritz Cremer, Werner Stotzer, Hermann Glockner, Waldeman and Sabine Grzimek, Ingeborg Hunzinger and Franziska Lobeck. Nov 5 to Jan 3. Mannheim Stadtische Kunsthalle from Jan 23 to Feb 21.

Hildesheim, Roemer- und Pfelizaeus-Museum, Am Steine 1-2. Egypt's rise to a World Power: More than 300 pieces loaned by 20 museums in Europe, Africa and America - the first presentation of the most important 150 years 1550-1400 BC of the New Empire in Egypt. The bust of Pharaoh Thutmosis III, discovered in 1907 without a face, can be seen complete in Hildesheim. The face, found in Egypt only 20 years ago, was loaned by a Cairo Museum. Another highlight is a reconstruction of the 3000 year old burial chamber of Sennefer, the former mayor of antique Thebes. Clothes, household appliances, tools, cosmetics and jewellery illustrate the everyday life of Egyptian citizens. Ends Nov 29.

Berlin: Galerie im Rathaus Tempelhof, Tempelhofer Damm 165: Gunter Gauss paintings, drawings, etchings, lithographs and sculpture - a 150 work retrospective celebrating his 60th birthday and covering 1957 to 1987. Ends Nov 30.

Baden-Baden: Kunsthalle Lichtentaler Allee 8a: Carlo Carra: The first German retrospective of the Italian artist who was one of the initiators of Futurism. His artistic life underwent dramatic change when he met de Chirico. Ends Dec 6.

ITALY

Rome: Palazzo Venezia: Bice Lazzary (1900-1981) - 150 works in oil, pastel and acrylic by one of the first Italian artists to abandon figurative for abstract art. Ends Nov 22.

Rome: Palazzo Venezia: Bronzes found during excavations at Lake Dian in southern China in the 1950s. Ends Nov 15.

NETHERLANDS

Rotterdam, Prins Hendrik Maritime Museum. Art as camouflage, or camouflage as art? The startling 'applied vorticism' of marine dazzle painting developed in the First World War by Norman Wilkinson to deceive the enemy as to a ship's real position and course. Ends Dec 6.

Art Institute: 48 key Impressionist and Post-Impressionist works from the Courtauld collection tour America with paintings by Cezanne, Manet, Renoir, Seurat and Gauguin. Ends Jan 3.

Amsterdam: Rijksmuseum Printroom. As a pendant to the survey of landscape painting in the main galleries, the printroom is showing a fine selection of 100 17th century drawings devoted to the theme of Land and Water. Ends Jan 3.

Amsterdam: Historical Museum. Contemporary photographs, utensils, menus and registers chart the rise and heyday of Amsterdam's grand hotels from 1860 to 1914. Ends Jan 17.

Amsterdam, Rijksmuseum: A sweeping view of 17th-century Dutch landscape painting, with more than 100 works by over 50 artists tracing the development of the genre and its offshoots from the dense creations of Vinckboons and Savery via the chilly winters of Avercamp, the tranquility of Ruysdael, the golden light of Cuyp, the towering cloudscapes of Ruisdael, to the wooded scenes of Hobbema. Ends Jan 3.

Rotterdam: Boymans-Van Beuningen Museum. From Ingres to Cezanne presents a rich choice from the museum's large collection of 19th century French drawings. Ends Nov 29.

Leiden: Rijksmuseum voor Oudheden. Manuscripts, books and maps spanning 1,000 years of scientific imagination and knowledge. Ends Jan 17.

SPAIN

Barcelona: "Leonardo da Vinci. Nature Studies". 50 drawings on loan by the Royal Library at Windsor Castle, shown recently at the Metropolitan Museum, stockholm and Tokyo. Centro Cultural La Caixa, Paseo de San Juan 108. Ends Nov 8.

Madrid: "Beuys, Klein and Rothko. Transformation and Prophecy". Centro Cultural de la Caixa, Serrano 60. Ends Nov 8.

Madrid: "Mark Rothko 1903-1970". 54 works by North American artist of Russian origin grouped with de Kooning and Pollack. This show was seen recently at the Tate in London. Fundacion Juan March, Castello 77. Ends Jan 3.

NEW YORK

Metropolitan Museum: 200 objects from the Age of Sultan Suleyman the Magnificent demonstrate the wealth and skills at the high point of the Ottoman empire in the sixteenth century through the large selection of illuminated manuscripts, the imperial wardrobe, ceramics and jewel-encrusted weapons. Ends Jan 17.

Center for African Art: Angles on African Art features ten co-curators, ranging from an African tribesman to collector David Rockefeller, each of whom chose ten of their favourite pieces, making a well-rounded and diverse show. Other curators are writer James Baldwin, artists Nancy Graves and Romare Bearden and curator William Rubin. Ends Jan 3.

Jan Krugier Gallery: This new gallery is inaugurated with 60 Cubist works by Picasso from the Marina Picasso Collection with two decades of paintings, drawings, sketchbooks, collages and prints from 1907 to 1926. Ends Dec 10. 41 E. 57th, 6th floor.

Saleroom/Susan Moore

Punters back Spencer

Sir Stanley Spencer's spectacular "Christ Preaching at Cookham Regatta: Punts Meeting" soared way over estimate at Sotheby's yesterday to establish a new record price for the artist - £429,000. The previous record, set at Christie's in June, was a modest £75,000. A major canvas by Spencer has not been seen on the market since "Girls Listening," from the same regatta series, was sold in 1982.

Perhaps more surprising still was the £79,200 paid by the same private collector for the small self-portrait of 1951. Of the three Spencers on offer, all from Australia, only "A Music Lesson at Bedales" failed to reach its target; bidders were no doubt discouraged by its poor condition.

The fortunes of Sir Alfred Munnings were more mixed, with prices apparently affected by recent low prices in New York. While the portrait of Sir Gordon Richards mounted on George VI's Sun Chariot fetched £93,500 (estimate 60-80,000), the impressive one-owner portrait of the Duchess of Westminster with her harriers was bought in. Dealer Henry Wyndham paid £57,200 for the early "Norwich Flower Market".

Yesterday's sale revealed the market for British modern British pictures weaker than it had been in May. Least successful were the early plein-air canvases. More interest was shown in later, more challenging canvases, with Winifred Nicholson and John Piper selling well. (Perhaps Piper as well as Spencer has found a new audience.) The sale totalled £1,499,850, with 31 per cent bought in.

The evening before yesterday's auction of "Irises" at Sotheby's in New York, the two canvases by Van Gogh offered at Christie's were both bought in at $65,000. So was Schiele's "Lieberspaar" at $3.4 million. But what must have encouraged the York Avenue auctioneers was the strength of Japanese bidding. The Motomachi Gallery paid $5.28 million, well over estimate, for a Renoir portrait of a young girl of 1888. Japanese collectors secured Kandinsky's landscape ($2.42 million), Monet's "Printemps, bord de l'Epte" ($1.43 million), and a Miro at $1.1 million.

The Art Institutre of Chicago's Monet waterlilies went for an expected $3.3 million, while Gaugin's "Jeune homme a la fleur" doubled its estimate by selling to the New York trade for $2.09 million. Seventy eight per cent of the lots were sold, realising $37.565 million or £20.986,33.

The 1987 Dylan Thomas Award

The poet Andrew Motion has been awarded the £1,000 Dylan Thomas Award for 1987. Administered by the Poetry Society, the judges were Alan Brownjohn and Gillian Clarke.

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End of an era in aviation

BRITISH AIRWAYS must be more than satisfied with the conclusions of the Monopolies and Mergers Commission's report on its proposed takeover of British Caledonian. The commission has waved through the merger subject only to minor restrictions suggested by BA itself during the course of the investigation.

The absorption of BCal into BA represents the formal abandonment of a two-decade-old commitment to a "second force" in British aviation. The UK's flag carrier will in future face only piecemeal domestic competition from an array of small "niche" airlines.

The commission had to tackle an extremely complex set of issues in a very short space of time. Both Lord Young, Trade Secretary, and Lord King, BA chairman, went out of their way to praise the quality of its analysis. The facts and figures assembled are certainly impressive, but the reasoning is not always convincing. For example, the commission seems over-impressed by the argument that BA needs to grow in order to withstand more intense competition from the US "mega-airlines."

BA is considerably smaller than the leading US airlines. Texas Air, for example, carries five times as many scheduled passengers but the vast bulk of US airlines' business is in the insulated North American home market. There is no prospect whatever of the largest US airlines being free to compete on a global basis with the likes of BA.

Market dominance

The concentration of the US domestic industry - a depressing side-effect of deregulation - is thus irrelevant to the BA/BCal decision. The only non-US airline with close to BA's market power is Japan Airlines; rivals such as KLM and Lufthansa are much smaller.

It was also depressing to see the MMC explicitly giving weight to factors unrelated to competition. It recognises that the merger will increase BA's market dominance but says this adverse consequence must be balanced against the risk that BCal would otherwise be forced into liquidation with the consequent loss of thousands of jobs. It does not take seriously the possibility that BCal could have been taken over by a profitable foreign airline capable of posing a threat to BA.

By putting considerable weight on broad public interest factors and showing more than a hint of chauvinism, the commission comes close to undermining the spirit of the Tebbit guidelines which suggested that the effect of a merger on competition should be the prime consideration.

Britain's commitment to a "competitive multi-airline industry" is ostensibly being upheld by the ruling that BA should give up a tiny proportion of its landing slots at Gatwick and not automatically have access to eight of BCal's 37 routes (five domestic routes and three short-haul routes in Europe).

Relative strength

The idea is that the Civil Aviation Authority will consider applications for the eight routes from both BA and the small independent UK airlines, and award them on merit. It is far from clear what criteria the CAA will apply in deciding which airline deserves which route. BA has already declared its intention to fight for all of the routes in question and plans to operate them until the CAA reaches a decision.

The prospects for competition thus look fairly bleak. The new flag airline will be dominant at both Heathrow and Gatwick even if it does lose some of the eight routes. The small independents will almost certainly be forced into a "client" relationship with BA.

Many observers will say this is regrettable but inevitable: it was just unfortunate that BCal lacked commercial viability. The truth is rather different. The relative strength of BA and BCal is a function of their route structures and airport access, both of which are the responsibility of government. If the Government had not been so intent on maximising BA's sales proceeds upon privatisation it could have ensured that BCal had a viable route structure.

It must now live with the consequences of a poorly planned privatisation policy. Two things are clear. The reduction of UK competition means that the Government must push still harder for liberalisation in European and international markets. Secondly, it may need to consider significantly stronger powers for the CAA. The less competitive a market, the greater the need for effective regulation.

Concessions from Syria

THE RESULT of the Arab summit, which ended in Amman yesterday, is more positive than expected, even though some of the more exaggerated claims about the restoration of Arab unity must be taken with the usual pinch of salt.

King Hussein of Jordan had set himself the immensely difficult task of persuading the odd man out, Syria, to join the Arab front against Iran and to reconcile the Damascus and Baghdad regimes. Predictably, this objective has been attained only partly. However, the fact that Syria was prepared to endorse a statement condemning its ally, Iran, for occupying Iraqi territory and for failing to implement the United Nations Security Council's ceasefire call must be considered a considerable achievement.

Given Syria's previous support for Iran, the tough and unambiguous wording of the statement is as much a surprise as its content. It speaks of Iranian "threats, provocations and aggression" in the Gulf, condemns the "bloody, criminal events committed by the Iranians in Mecca," and takes the Tehran government to task for its "procrastination" over the implementation of the UN ceasefire resolution.

In substance, too, Syria has made an unexpected concession. It has supported a statement urging Iran to accept the UN Security Council Resolution 598 in full "and in the consequential order of its clauses." That means that Syria, in common with the other participants at the summit, wants Iran to give up its demand that Iraq should be declared the "aggressor" before agreeing to a ceasefire and withdrawing all Iranian forces to their own borders.

Tell-tale signs

However, before starting to cheer this apparent return of the prodigal son to the pro-Iraqi Arab fold, it is as well to look at the things which President Hafez al-Assad of Syria has refused to do.

He opposed a call for sanctions by the Arab countries in the event of Iran's refusal to implement the UN ceasefire resolution. His spokesman specifically denied a Jordanian claim that King Hussein had managed to reconcile the Syrian and Iraqi leaders. Indeed, President Assad and President Saddam Hussein of Iraq pointedly declined to shake hands at the end of the meeting when asked to do so.

All these tell-tale signs seem to indicate that it would be premature to hail a rupture of the alliance between Damascus and Tehran and the forging of a new partnership between Syria and Iraq, particularly in view of the long-standing hostility between these two Ba'athist regimes.

In endorsing the tough anti-Iranian statement, President Assad appears to have been motivated at least as much by the desire to ensure continuing Arab financial support for his ailing economy as by a genuine change of heart.

Important sacrifices

Yet it is clear that, in public at least, Damascus has given ground to the moderate Arab states, thus strengthening the body of international opinion in favour of the UN-inspired solution of the Iran-Iraq conflict. It will be interesting to see whether President Assad can, or wants to, explain his ostensible volte-face to his Iranian allies by assuring them that he has not given anything away in substance in Amman but appearances are against him and appearances count for a great deal in the Middle East.

The impression that it is hardline Syria which has been forced to make the most important sacrifices on the altar of regional Arab unity is strengthened by the firmness with which the participants expressed their support for the Gulf states, in particular Kuwait, in their confrontation with Iran, and by the passage in the communique on Arab ties with Egypt.

Though Syria was able to block Egypt's formal readmission to the Arab League from which it was suspended following its 1979 peace treaty with Israel, it was unable to prevent the summit from adopting a specific clause permitting individual Arab states from resuming diplomatic relations with Cairo.

Several Arab countries, including some of the Gulf states, Iraq and Morocco, have already indicated that they intend to take such a step, which can only be welcomed by the rest of the world. Egypt's re-emergence as an influential voice in the region's affairs should not only help the search for a solution to the Arab-Israeli conflict but would substantially strengthen the more moderate, pro-Western forces within the Arab world.

John MacGregor tells Bridget Bloom about farming's tough future

Harvest of home truths

JOHN MACGREGOR, Britain's Minister of Agriculture since last July, seems set to make post-war history. Earlier this month, he announced a scheme to persuade farmers to take good land out of arable production by planting trees on it. If this and several other pilot schemes in the agriculture ministry's pipeline come to fruition, the long expansion of British farming, which began with the Dig for Victory campaigns of the 1940s, will be truly and officially at an end.

Mr MacGregor can see the time "not many years ahead" when there will be 10 and perhaps even 20 per cent less land sown to wheat or put to rich grazing pasture than there is today. His vision of the future still centres on an efficient farming industry, but he sees rural jobs and wealth being generated not by the farmers, but by new country-based, often high technology industries.

He is probably the foremost ministerial champion in the European Community of the reform of the Common Agricultural Policy (CAP), which is at the heart of the need for these new farm policies. He is himself a sign of the changing times. The first non-farmer for a long time to become Minister of Agriculture and the possessor of a sharper mind than many of his predecessors, he describes himself as a free market man, with a "passionate belief" in getting value for taxpayers' money.

Two of his previous jobs since 1979 were as minister for small businesses and Chief Secretary to the Treasury. Reportedly much admired by Margaret Thatcher, the British Prime Minister, he does not mince words, at least about the CAP. It was "a massive misuse of resources", he told farmers recently, warning that the alternative to reform was a disorderly descent into chaos.

It is a long time since farmers have heard quite such blunt words. Not surprisingly, they are reeling a little. Yet at the same time, perhaps because Mr MacGregor's reforming zeal is tempered by pragmatism and clothed in a mild manner, farmers have given the new minister a reasonable welcome so far. It may also be because, as he says himself, farmers have known for some time that changes must come. Now they need to know the worst, and for as long ahead as possible, so that they can plan the future.

In an interview last week, Mr MacGregor laid out his priorities much as he has been laying them out for farmers over the past few months. First comes reform of the CAP. It is here that his pragmatism is most apparent. In the mid-1980s Mr MacGregor was minister of state under former Agriculture Minister Michael Jopling and he is only too aware of the constraints on trying to bring about reform when policy is determined not by a cabinet of relatively like-minded compatriots, but by 12 governments with different traditions and methods of farming, different requirements, products and politics.

There are some things that Britain can do on its own, but not many. Funding research is one and running agricultural advisory services another. But most questions, even down to whether Britain may or may not increase the moisture content of the wheat it sells into intervention stores, are determined in Brussels, either by ministers or officials. The experience of long nights of negotiation there is clearly a sobering one. Mr MacGregor reflects that, whereas when he was Chief Secretary "we'd take a lot of decisions during the day, often involving hundreds of millions of pounds, after a long day in the Agriculture Council, eventually when you get to bed you realise you haven't achieved anything."

However, he thinks that reform of the CAP is achievable, at least as defined by himself, the European Commission and so far only a very small minority of other member states. He denies that what is intended will do little more than nibble at the edges of the problem and he maintains too that the break-up of the CAP is neither practical nor desirable.

His starting point for reform of the CAP from within is to correct the "massive misuse of resources". It is easy enough to see how farmers have responded to the twin stimuli of high prices and new technology to increase production, but now supply must be got back into balance with demand. "We spend more than half the farm budget, or £12.5bn a year, on storing commodities no one wants and subsidising them for export, where they skew world markets, especially for developing countries," he says. Agriculture gets 17 times more public aid in relation to its contribution to gross domwestic product than manufacturing industry. "That is surely misusing resources."

Britain now wholeheartedly backs the Commission in its plans to introduce so-called budget stabilisers to curb spending on surplus commodities. Mr MacGregor believes these are the key to reform, though he admits they are rather less than the cash limits in which he is "a strong believer". But he does think they can produce "real budget discipline".

The basic principle of the stabiliser is that price and/or production ceilings are set for each commodity. If these are exceeded, there will be "an automatic in-built mechanism" which will trigger off price cuts or other penalties. The idea has found little favour outside Britain and the Netherlands so far, partly because it means giving more power to Commission officials. But Mr MacGregor maintains that the atmosphere of "pork barrel" bargaining between agriculture ministers of only a very few years ago has "totally changed".

Everyone now accepts that the surpluses have got to be tackled and he claims that several ministers, including the French, are now nearer to Britain's view.

True or not, the British flag is in any case firmly tied to the stabiliser mast, since Mrs Thatcher made it clear at last June's EC summit that unless member states sign up to "precise methods, mechanisms and figures for each commodity", Britain will not agree at the Copenhagen summit in a month's time to new arrangements for the Community's future financing.

Mr MacGregor is adamant that this still remains the case as he prepares for next week's Agricultural Council, due to see the start of real negotiations on stabilisers. He leaves only one tiny hostage to fortune when he says that London has not yet "absolutely staked out its irreducible minimum" in terms of which commodities have to be included.

For Mr MacGregor, getting "real budgetary discipline" into the CAP, as well as a balance between supply and demand, is the essential basis for new policies on the rural economy at home. All the schemes being concocted in the Ministry of Agriculture and the Department of the Environment predate his tenure by a few months, having been part of the so-called Alure (Alternative Land Use and the Rural Economy) package in the spring. The new minister has, however, endorsed them fully. Not, he stresses, as a panacea - "they can't be panaceas, for there are none possible" - but more as "measures to help adjustment in rural communities".

The schemes range from grants for planting broad-leaved and other trees on arable land, to help for the establishment of farm-based industries. Details will be announced over the next few months. In addition, more so-called environmentally sensitive areas will be created in areas of special beauty, like the South Downs, which will encourage less intensive, more conservation-conscious farming.

Mr MacGregor acknowledges that the results of CAP reform, in particular, will mean that more people will leave the land and that, despite the new schemes, life will be more difficult for many of those who remain. But he fits this rather rough message into a smoother, more hopeful vision of the future, for which he draws to some extent on his experience as MP for the rural constituency of South Norfolk.

The countryside must change, as it always has, to live. Farmers will still be important producers of food. But if the butcher, the baker and blacksmith of old have gone from the villages, good or improving transport and communications are beginning to mean that non-agricultural, often high-tech or information-based industries can come in. These could be the "wealth generators and employment creators of the future" - the challenge being to get balanced growth, with their help, without destroying the countryside.

Balance is something that matters to Mr MacGregor, but so too does the encouragement of entrepreneurship. He does not like direction by government, even though he accepts that he can be less than a free marketeer in agriculture, with its tradition of protection and now its governance by the CAP. But, he says, the whole purpose of his policy is to "give people incentives and to take them sensitively through the period of change, but to make it their decisions which matter."

Maybe that sensitivity is what has won him a good ride with the farmers - so far.

THURSDAY BOOK REVIEW

Nicholas Kaldor

By Anthony P. Thirlwall
Wheatsheaf Books; £55

PROFESSOR Thirlwall, a well-known Keynesian economist, is hardly an objective biographer of Lord Kaldor. At times, he seems almost overcome with admiration for his subject. The Hungarian-born economist, he declares in the very first sentence, was one of the "most profound and influential economic thinkers of the 20th century."

He was a "unique figure," who was "devastating in debate," and who "led worldwide" the intellectual assault on monetarism. As a campaigner and espouser of causes, he "had no equals among his contemporaries." Historians will be hard pressed to find a "more lucid or pungent single commentary on contemporary economic problems."

In a fulsome preface, Sir Douglas Wass, a former Treasury mandarin, says Kaldor was one of the "two or three real geniuses" he had the good fortune to meet and expresses bafflement at his failure to win the Nobel Prize.

Kaldor was certainly a versatile and creative economist, but he does not deserve idolatry. To put the reverse point of view at its bluntest, it could be argued that many of his theoretical sallies were up blind allies, while his copious advice to Labour governments in the 1960s and 1970s did nothing to stem Britain's relative decline and, indeed, may well have speeded it. His greatest service may have been as a tireless contributor to The Times letters page. His only failing as a correspondent was to write tediously often on the same subject.

Kaldor was frequently spectacularly wrong. His attitude towards the European Common Market is a case in point. He fired off "all the intellectual ammunition he could muster" against the common-sense argument that the UK would derive dynamic gains from entry to a larger market and even made the claim, absurd in retrospect, that Britain would become the "Northern Ireland of Europe." Northern Ireland, of course, still plays that role.

Kaldor's greatest talent was in persuading politicians and bureaucrats that he could help them. It is doubtful whether any economist (Keynes included) has ever held so many advisory positions. Quite apart from his role as senior tutor at the UK Treasury, Kaldor found time to lecture a bewildering variety of Third World governments. He was an official adviser to India, Sri Lanka, Mexico, Ghana, Guyana, Turkey, Venezuela and Iran. From time to time, Hungary, France and various UN committees also came in for a spot of instruction. Such an itinerary puts even Henry Kissinger in the shade as a globe-trotter.

However, the practicability of much of this constant stream of advice is open to question. Kaldor, for example, was an eager and early exponent of an "expenditure" or "consumed income" tax. (His ideas were recycled and popularised two decades later by the Meade Committee on tax reform). Yet, in spite of decades of advocacy, no country has ever shifted from the taxation of income to the direct taxation of personal consumption. The technical and political difficulties associated with such a transition are simply too great to be contemplated even in advanced countries.

In UK tax circles, Kaldor is perhaps best remembered for another blind alley: the Selective Employment Tax introduced in September 1966. Kaldor was always convinced that manufacturing industry was "special": the SET was tailored to his prejudices. It represented a tax on service industries and a subsidy for manufacturing. The blurred line between the two sectors gave rise to constant anomalies and the tax was extremely unpopular. It was scrapped in the early 1970s when value-added tax was introduced.

Apart from his role as a global economic adviser, from 1949 to 1976, Kaldor was successively a lecturer, reader and professor of economics at Cambridge. Together with Joan Robinson, he fought a long campaign against the post-war resurgence of classical economics. He helped establish a "neo-Keynesian" school which faced up to the inconvenient fact that most of the assumptions of "neoclassical" economics do not hold good in the real world. The intellectual honesty of Kaldor and other Cambridge economists was admirable, but they were not able to buck a worldwide trend towards idealised and highly conservative economics. The price of their refusal to compromise or peddle ideas they knew to be fallacious was the gradual eclipse of Cambridge as a leading centre for economic research and teaching.

Kaldor's greatest talent was in persuading politicians and bureaucrats that he could help them

In his declining years, Kaldor claimed a new mantle: that of the "scourge" of monetarism. He delighted his acolytes with hectoring pamphlets, such as The Economic Consequences of Mrs Thatcher. He strenuously attacked Milton Friedman's sillier assertions, ridiculing the idea that there was a reliable, causal link between inflation and the previous growth of some arbitrary measure of the money supply.

Kaldor, of course, has been proved right. But the victory is only partial. The vehemence of his critique of Friedman probably disguised his own belated realisation that British Keynesianism was indeed flawed. The fine print of monetarism was full of errors, but Friedman's message that "money matters" was timely. Kaldor and his friends, struggling to formulate a more credible theoretical framework than neoclassical economics, concentrated too much on the "real" economy and too little on monetary and financial factors.

Michael Prowse

Men and Matters

Hong Kong post for Hay Davison

Ian Hay Davison, purveyor of regulatory structures to a sometimes reluctant financial community, spent last weekend in Hong Kong on "a very much incognito visit." His return a week later is likely to be rather more high-profile as he starts a six-month stint as chairman of the government's newly constituted Securities Review Committee.

Piers Jacobs, the territory's financial secretary, told the legislative council there yesterday that the committee was "intended to draw lessons from recent events in the stock and futures markets and, as far as possible, ensure that those events do not happen again." Davison, aged 56, was appointed because of his "great relevant knowledge and experience."

Davison himself, though, disclaims any special knowledge of the futures or equity business. He compares his starting point to his arrival in 1983 as the first chief executive of Lloyd's of London. "The first thing I said to the Governor of the Bank of England was that I didn't know anything about Lloyd's."

Lord Richardson, the then Governor who put him up for that job, was said this week to have been among the other potential candidates for the Hong Kong post.

Davison was still insisting yesterday that his departure from Lloyd's after three stormy years was not precipitate, and that he had completed his contract. Since then he has published a book drawn from his time as the insurance market's trouble shooter, has collected directorships ranging from Midland Bank to the Independent newspaper, and only last week was lecturing fellow accountants on the need for unity in an age of tighter outside regulation.

He clearly relishes his latest assignment. "In terms of numbers there is no question that the Hong Kong Stock Exchange is a far bigger operation than Lloyd's. In that sense it is a bigger challenge. Many people would regard the vigour and strength of the HKSE as critical to the development of Hong Kong and to the developing role of China."

Although he may find the odd typhoon blowing his way from the small local brokers which hold sway on the exchange council, he is happy to confess: "Frankly it's a great place to spend the winter."

Newman's law

Sir Kenneth Newman, the former Metropolitan police commissioner, has broken with the tradition beloved of so many senior policemen, that they retire to comfortable billets as security advisers to industry or government departments.

Newman, who has a law degree, has chosen the academic life instead. He has just been appointed a professor at Bristol University.

He will deliver public lectures, and lecture to students in criminology, law, and the English legal system.

Newman, who gained his law degree through part-time study, will work in close cooperation with the university's researchers in policing matters. He explains that he gained his external law degree from London University in 1972, mostly working on his own initiative, but also attending some night classes.

He retired from the police earlier this year after five years as the Metropolitan Commissioner, an appointment which concluded a distinguished policing career of more than 40 years. He was formerly head of the RUC.

Conables floored

Maybe Barber Conable, president of the World Bank, should turn his attention to his bank's third world image now he has carried out his controversial management shake-out.

Touring India, the bank's biggest customer, with his wife Charlotte, he has been greeting guests at receptions in an expansive, glad-handing mood: "Hello, we are the Conables."

But when he tried this bonhomie at Mother Teresa's Missionaries of Charity home for the destitute in poverty-stricken Calcutta, and asked whether there was anything the World Bank could do, Mother Teresa floored both Conables with her reply: "I don't know what the World Bank is."

Swiss role

This is a week in which the globalisation of the capital markets has a distinctly Anglo-Swiss flavour. On Monday a Swiss, Rudolf Mueller, was put in charge of Union Bank of Switzerland's UK operations, a role in which he will assume direct control of stockbrokers, Phillips & Drew. Any lingering ideas that P & D might retain its independence under the UBS umbrella were dispelled.

Yesterday, however, a rare foothold was gained in Switzerland. Andrew Large, a 45-year-old Winchester and Cambridge educated Briton, was appointed to the board of Swiss Bank Corporation. He will be the only foreigner on the bank's board, and will effectively be chief executive of its investment banking activities around the world. As the head of Swiss Bank Corporation International in London, he already held much of this responsibility. But now he will be moving to Zurich and taking on, in addition, SBC's capital markets activities in Switzerland itself.

The appointment means that two of the big three Swiss banks will have foreigners in prominent roles in the Swiss markets as well as internationally. Hans-Joerg Rudloff of Credit Suisse First Boston, a West German and another senior figure in the Euromarkets, was last year appointed to the board of Credit Suisse and has since been trying to shake up the somewhat sleepy and cartelised Swiss bond market. Large will not be drawn into debating that issue yet.

The rapid growth of SBCI is undoubtedly the reason for Large's elevation. In 1980, he was one of five executives to leave Orion Bank to found SBCI, and it has since developed into a force in the Euromarkets, employing 400 people now compared with just 50 in 1985. It was one of the first houses to recognize the potential importance of the international equity business and has developed that rapidly in London and Tokyo - a strategy not dented by the stock market crash. His departure for Zurich robs the London capital markets of a powerful and articulate spokesman. As chairman of the Securities Association, Large trod a fine line: on the one hand attempting to alert and prepare the capital markets for regulation under the Financial Services Act, and on the other championing their case against over-regulation in a number of important arguments. Most recently, he won a lobbying battle to have implementation of a key clause in the Act delayed. He has maintained strongly that practitioners should help to fashion the rules as regulators. But in the end, his very prowess as a practitioner has barred him from carrying on his regulatory role.

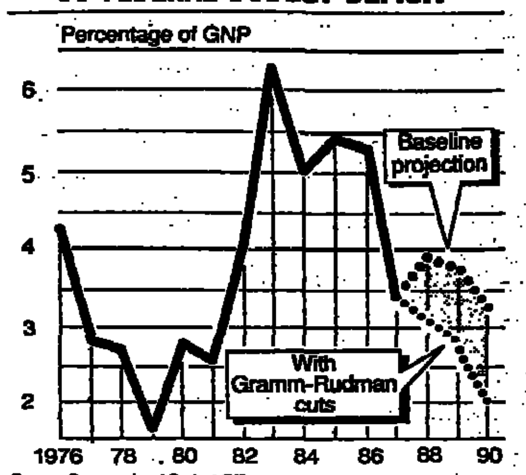
Well tried

Louis Gugliemi, of Baltimore, appealing against his conviction for interstate transportation of obscene films, argued before the US court of appeals that the materials were "so disgusting and repellent that they could not be found to appeal to the prurient interest of the average person," and hence were protected by the First Amendment.

Not without ingenuity, said the senior circuit judge. But conviction affirmed.

Observer

US FEDERAL BUDGET DEFICIT



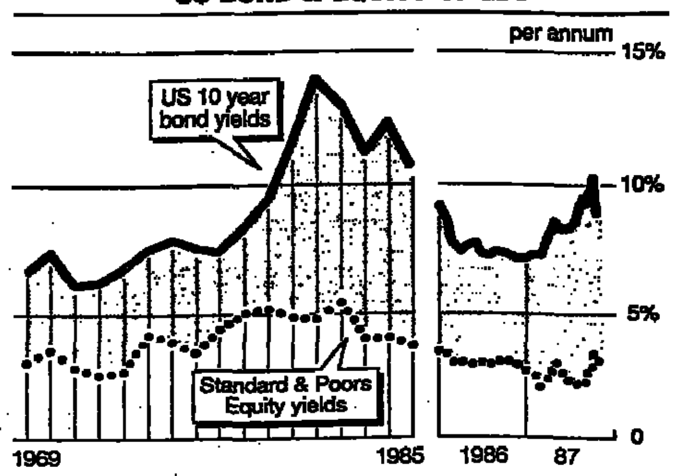
Source: Congressional Budget Office

Economic Viewpoint

Beware the coming of the false dawn

By Samuel Brittan

US BOND & EQUITY YIELDS



HISTORY never repeats itself.

Those who have examined the events following the 1929 Wall Street crash point out that there was a rally in early 1930, which made up most of the lost ground, followed by much bigger subsequent falls in the stock market, which did not hit bottom until 1932. The recession in output, which had started in 1929, became a slump in 1930-32 and it was then, too, that the banking collapse and the most catastrophic of the falls in commodity prices occurred.

It is indeed likely that the worst threat of any future slump will come between 1988 and 1991 and that before then there will be a false dawn, perhaps associated with a US budgetary agreement and another Group of Seven understanding on exchange rates.

But the nature of the subsequent problems is likely to be different this time. In the early 1930s, all the pressures were downward on output and prices alike. There was no need to coin ugly words like stagflation. Deflation was an all too accurate description.

This time round, it is clear that political leaders and central bankers, especially in the English-speaking countries,are determined to avoid the deflationary errors of the 1930s. Promises of sufficient "liquidity" (whatever that means) are being made all round; and there is no danger of the US Federal Reserve or Bank of England failing to bail out banking institutions. Rather the opposite.

The danger is that symptoms of inflation will start reappearing during the false dawn, especially, but not only, in the US and UK in response to the present loosening of policy.

Policy makers will then not know whether to fight inflation or recession. An upward drift in bond yields or fresh currency pressures will, at some stage, impel national authorities on to a more restrictive tack. Then we could have the real slump.

But because of the threat of price and wage inflation - real or imagined - policy makers will hesitate to reverse course once again in the direction of all-out monetary or fiscal stimulation. Indeed, if some national authorities try to do this, the financial and even the *labour* markets may quickly give the thumbs down signal.

The extremely low rates of inflation recorded in 1986 proved a temporary aberration associated with the fall in oil and commodity prices. Average world inflation rates were at 3 to 4 per cent when the 1987 equity crash occurred; and in the US the underlying inflation rate was 4 to 5 per cent and tending upwards. One trigger for the Wall Street equity tumble was the rise in both bond yields and short-term interest rates, which in turn reflected inflationary fears.

There is nothing mysterious about having to fight slump and inflation at the same time. The horrible word stagflation was coined in the 1970s to describe the combination of high inflation and high unemployment which has plagued the world ever since.

In the 1970s and early 1980s, there was much talk about the economic contradictions of democracy and in particular the incompatible claims pursued by rival interest groups both through monopolistic action in the market (examples are the Organisation of Petroleum Exporting Countries' cartel and the unions' wage push) and through the political system.

These tensions have not been fully exorcised by movements such as Reaganism and Thatcherism; and they show themselves in the pursuit of objectives which are incompatible with reasonable price stability and probably inherently unobtainable.

Indeed, the about-turn under US Treasury Secretary James Baker, from benign neglect of the trade deficit to frenetic concern, was testimony to the influence of oil, agricultural and other exporting lobbies. The continuing US insistence on growth at all costs - with no toleration of even a quarter's pause while the external and internal imbalances are being corrected - is an example of the excessive expectations thrown up by political competition for office.

Crash not due to budget deficit

THE MORE one examines the evidence, the more dubious the proposition that the US budget deficit was the cause - either proximate or ultimate - of the Wall Street crash. On this Milton Friedman and Paul Craig Roberts (who wrote on this page yesterday) are right. The budget deficit was, at most, an unhelpful background factor.

The Federal budget deficit reached its peak of $220bn in cash terms in 1986. Its true peak, however, came in 1983 when it reached 6.3 per cent of gross national product (GNP). In the fiscal year 1987, which ended in September before the equity crash, the deficit had fallen sharply in cash terms as well to $148bn, 3.4 per cent of GNP. The Congressional Budget Office baseline projection suggested that there were special, once-for-all factors involved, and that the deficit would climb to $180bn in 1988, still lower than it was in 1976, the last year of President Gerald Ford.

These Federal numbers exclude the surpluses of state and local authorities. Projections by the Organisation for Economic Co-operation and Development (OECD) of the general government balance (not cyclically adjusted or otherwise doctored), which take in these subordinate units, showed the US deficit in both 1987 and 1988 at 2.6 per cent of GNP or a decimal point below the Group of Seven average. Indeed the deficit for West Germany was projected to rise to 2 per cent next year, thus creeping up on the heels of the US.

That is not all. The last piece of fiscal news before the crash was that President Reagan *had reluctantly* accepted the Congressional Budget Resolution, including the revised Gramm-Rudman provision for automatic spending cuts. These would - on the basis of normal economic growth - reduce the deficit to $140bn in 1988 and to $108bn in 1990. This is equivalent to 3.1 and 2 per cent of GNP respectively.

The current White House negotiations may add only a little to the Gramm-Rudman cuts. Yet, even so, the deficit to GNP ratio is on a sharply falling trend.

If the deficit did not precipitate the crash, what did? The clearest candidate is the rapid widening of the gap between bond and equity yields. When the gap had reached comparable levels in earlier periods, it had been narrowed by falling bond yields. This time, however, bond yields had been sharply rising, thus putting all the strain of adjustment on equity yields which are, of course, the reciprocal of equity prices.

What did help to trigger the crash was Secretary Baker's policy of playing chicken: at some times going all out for stable exchange rates and at other times seeming actively to encourage dollar devaluation. If the market is already vulnerable on yield considerations and the Treasury Secretary threatens to abandon an accord which the financial public had come to regard as a cornerstone of policy, you should expect trouble.

***The US Budget deficit does* matter, but in the context of an extremely low national savings ratio and not as a form of original sin. Because of a high savings ratio, Italy has avoided major external deficits despite a government borrowing to GNP ratio, as normally measured, at five times the US level. In Denmark, on the other hand, a big reduction in the budget deficit *has been offset by a fall in* private sector savings and the country is still troubled by excessive external borrowing.**

Although the US budget deficit did not start the stock market crash, the Washington fiscal talks have assumed symbolic importance. Their outcome is thus likely to be critical for financial confidence, if only because current attitudes have made them so.

The balanced budget is a useful myth; but the last time we want to resurrect it is when the world is faced with a one-in-three chance of a major recession, bordering on slump.

In the UK, the Chancellor's public sector borrowing requirement ceiling of 1 per cent of GNP, or £4bn to £5bn per annum, gives him adequate room for manoeuvre when the PSBR is likely to turn out at £1bn. But his rule of thumb would be highly pernicious in a slump, when it would suggest tax increases or expenditure cuts which would make matters worse, as happened in the 1930s. The special British circumstances of 1981, when there was a need to reduce the structural deficit, do not provide a model for other occasions or other countries.

Sterling, inflation and the D-Mark

LET ME, however, come to the Chancellor's support on another issue.

How can sterling remain stable against the *D-Mark*, when UK inflation hovers around 4 to 4½ per cent, compared with about 1 per cent in Germany?

It is not the general rate of inflation which matters for exchange rates, but the rate of price increase for internationally traded goods.

Output per head in UK manufacturing, which is a good guide to the traded sector, is rising in Britain at somewhere between 4 *and 7 per cent* per annum, a good deal faster than in Germany. This is largely because UK productivity levels have been catching up. But while this is occurring, British manufacturers can absorb larger pay increases than German ones without raising prices.

CONSUMER PRICES

Increase % p.a.	1963-70
Japan	5.5
Italy	4.0
UK	3.8
France	3.8
US	2.8
West Germany	2.5

Source: LBS

The other side to this is that an exchange rate link with a low or zero inflation country will not eliminate inflation if productivity is rising more slowly in the sheltered domestic sector. An extreme example is Japan in the heyday of its 1960s growth. Rapidly rising manufacturing productivity enabled it to stay competitive internationally, even while the prices of other goods and services were, as the small table shows, pushing Japan to the top of the inflation league.

Stability in the prices of internationally traded products is the most that can reasonably be expected from an exchange rate anchor. As there is a limit to the extent that productivity and price trends in the two sectors can diverge - usually much less than in the Japan of the 1960s - a sterling-D-Mark link is an adequate safeguard against a UK inflationary take-off. But neither it, nor any practical alternative, can provide a literally zero rate of increase in the retail prices index, which is, in any case, not a sensible definition of price stability.

JOE ROGALY

What is a terrorist?

THOSE of us who reject the British Prime Minister's recent denunciation of the African National Congress as a "terrorist organisation" should feel obliged to think the whole matter through once more, particularly in this week of atrocious terror in Northern Ireland. For Mrs Thatcher, some of whose closest colleagues have been killed or maimed by the IRA, can reasonably assert that she knows what she is talking about. She has placed herself in great danger more than once. She has had at least one extremely narrow escape. It is necessary for her to be protected by tighter security than would have been imagined 20 years ago.

So one should not dismiss her opinion as simplistic, although there is indeed a simple truth behind it. A bomb in a crowded place is a random means of destruction. Urban guerrilla warfare, to give it a semi-respectable name, can be equally destructive of life whoever the perpetrator may be. To the victim there is little distinction between a bomb planted by the IRA, the ANC, or, say, the Palestine Liberation Organisation.

Thus, those who would ask Mrs Thatcher to think again about her opinion of the ANC must be careful about their logic. For many years the "military wing" of the South African black opposition confined itself to attacks on what it regarded as economic targets. Its relatively ineffective forces tied dynamite to a power pylon here, a railway sleeper there. No one was hurt, and no great damage was done. In recent years attacks on police stations have produced casualties, although on nothing like the scale of Northern Ireland. During the disturbances of 1985 some of the township hotheads invented the ghastly "necklace," a burning rubber tyre, as a means of executing black Quislings; the ANC has sought to dissociate itself from the practice. Beyond that, it remains true that some bombs have been placed in crowded streets and that there have been innocent victims. The *ANC policy of stepping up its* "armed struggle," recently re-affirmed by its President, Mr Oliver Tambo, will, if applied to South Africa's cities, inevitably result in further civilian deaths.

Why, then, quarrel with the Prime Minister's definition? The answer is political. The IRA is able to pursue its policies through the ballot box. The ANC is not. Blacks in South Africa have no say in the government of their country; many of those who express opposition by means short of violence are imprisoned and some are beaten or tortured. Mr Botha's republic is overwhelmingly the dominant military power in Africa south of the Sahara and it has repeatedly shown itself willing to use that power, even against unarmed demonstrators.

To an educated black South African the situation is at least as frustrating as the equivalent is to, say, an anti-Soviet Afghan rebel. Yet the Mujaheddin are not described by the British Government as terrorists; nor are the Contras in Nicaragua. If either of the latter were to resort to the deliberate use of urban terror they might properly be condemned for their tactics, but their use of arms would, as a general principle, be accepted by both the Foreign Office and Downing Street as a means of standing up to tyranny. (Opinion in the West is more divided about Nicaragua than Afghanistan, but that is another matter).

There is room for debate about the best way of ending apartheid. Economic growth, Mrs Thatcher's panacea, has not in this century shown any sign of enfranchising blacks, even if peripherals like job discrimination have begun to wither away. Neither the gun nor sanctions are likely to work in the short term: Pretoria is too powerful for that. But even if the conflict will be long, blacks have to try. If you or I were a black South African might we not be strong ANC supporters? (I like to think that the Prime Minister, with her love of liberty, would be among the leaders - another Winnie Mandela). The conclusion I draw is that, sincere as Mrs Thatcher's loathing of terrorism may be, the decisive factor in her reasoning is her political opposition to the ANC. She would argue that this does not equate with support for President Botha's government, but to many South African blacks, as to me, it amounts to much the same thing.

Letters to the Editor

Hyperbole and the motorways

From The Director-General of the CBI

I read with interest Malcolm Rutherford's reaction (Politics Today, November 6) to my remark at the CBI Conference that West Germany had built 750 more miles of motorway than the UK over the last eight years. He implied that I was guilty of hyperbole, "anyone remotely alert must have noticed by now that the British road system is no longer all that bad..."

It may not be all that bad; but it is by no means good enough. The purpose of my remark was simultaneously to warn against the danger of complacency and to illustrate the benefits to society at large of a strong manufacturing base. Mr Rutherford's comments confirm that the danger at least is real.

So are the benefits of an internationally competitive motorway network. As any exporter through our growing East and South Coast ports will attest, the existing motorway network is far too limited (and many residents of Hampshire, Somerset and East Anglia whose peace is being dis*turbed by lorries*, day and night, will be happy to agree). Delays and congestion on the major motorways are endemic. There is still no motorway west of Exeter or linking North and South Wales or along the South Coast - a problem that will become even more serious once the Channel Tunnel is completed.

For the record, the latest information shows that West Germany has almost three times as many kilometres of motorway as Britain; while we have nearly twice as many vehicles per kilometre of motorway and main roads. Although West Germany has long possessed the most extensive motorway network in Europe, remarkably it continues to build some 100 more miles of motorway every year than we do. Meanwhile, we sit in traffic jams, complaining of hyperbole.

Although the British motorway system is undoubtedly very much better than it was some years ago, it is far from internationally competitive. Uncomfortable facts and hyperbole should not be confused.

John M. M. Banham,
Confederation of British Industry,
Centre Point,
103 New Oxford Street, WC1

Executive option schemes

From Mr Peter Brown

Sir, The recent collapse in eq*uity prices three years* to the day after many Executive Option Schemes were introduced has indicated the fragile quality of the option as opposed to cash incentive schemes.

Many option holding executives who were, four weeks ago, looking forward to sizeable encashment benefits are now nursing either currently useless option certificates or ones that have to be carefully placed as share prices see-saw by 10 per cent over 48 hours.

Whilst there is no Inland Revenue problem in sacrificing options and having them reissued at current striking prices, thus of course delaying first encashment rights for a further three years, the Investor Protection Committee appears to be unsympathetic to such a scheme.

As executive options offered a "no loss" opportunity to holders, we can quite understand the feeling of institutional and other investors nursing equity losses not suffered by the option holding executives, but blocking option reissue schemes may be a mistake if the markets stabilise around today's levels.

There are two likely problems. Firstly, option holders may become demotivated by options with currenlty worthless striking prices and secondly new executive recruits with options at striking prices 50 per cent lower that longer serving employees may find themselves the object of some jealously when it is essential for the management to pull together.

Peter Brown,
The Reward Group,
9 Savoy Street, WC2

More jobs for temps

From The Chairman,
Blue Arrow Employment Group

Sir, Your report of the IOD's survey on temporary staff (November 4) did not bear out its headline (Temporary Staff Too Costly Say Employers), nor the facts uncovered by other researchers - and by Blue Arrow through its own experience and research.

Surely the most interesting finding is that a full half of the companies surveyed are now using temporary or part-time staff. As the IOD pointed out "Many firms would like to make greater use of contract labour because of the lower cost and more flexible employment conditions."

The IMS recently estimated that there are 1.75m temporary workers in the UK and that their number is growing. The LRD survey in 1987 reports a 58 per cent increase in white collar temporaries since 1980. The tide towards a flexible workforce is now flowing strongly.

This move towards a "core" group of employees, supplemented by temporary staff when needed, is being increasingly viewed as a vital precondition to stable employment. Certainly more can and should be done to loosen the bureaucratic bonds restricting this trend: the IOD survey showed high levels of discontent with National Insurance costs (25 per cent) and the complications of employment law (13 per cent).

As new management practices develop alongside an increasingly professional temporary employment market, the pressure for change will be overwhelming: that is surely the underlying message from the IOD.

M. S. Crosswell,
Blue Arrow plc,
Mercury House,
Triton Court,
14 Finsbury Square, EC2

Standards in accountancy

From Mr Ralph Instone

Sir, With reference to your article, A Time to Get Tough (November 9), it has been obvious for years that the Accounting Standards Committee is incapable of doing effectively the job for which it was created, for two reasons. It lacks statutory authority, so in controversial areas its views cannot be enforced. And it speaks (or tries to) only for the accountancy profession, whereas the form and contents of accounts are of concern to others, notably the Department of Trade and Industry, the financial institutions, the investing public, and (dare I add) lawyers. That is why companies' accounts have been the subject of detailed statutory provision since 1929.

What is required is a statutory body analogous to the Insolvency Rules Committee, and comprising representatives of all interested groups. In this area self-regulation, and in particular regulation by the accountancy *profession alone, is not enough.*

Ralph Instone,
7 New Square,
Lincoln's Inn, WC2

Alternatives to prison

From Mr T. R. Webb

Sir, Justinian (October 26), reflecting on the imprisonment of Lester Piggott for defrauding the Inland Revenue, raised the question of whether a prison sentence was an appropriate form of punishment for offences of this kind.

At a time when the prison system is grossly overcrowded, there is an obvious incentive to search for an alternative. However, it is important that this should have a deterrent effect broadly comparable to that of a prison sentence and that it should be enforceable without either employing a cumbersome *bureaucracy of supervisors or* placing too much additional supervisory responsibility on the police.

It is doubtful whether Justinian's preferred solution, amounting to a rather elaborate form of probation, meets either of these requirements. A more effective approach might be to deal with "white collar" offenders through the tax system. There could be special categories of punitively high tax rates, of varying severity, to which offenders could be sentenced for varying lengths of time, depending upon the gravity of their offence.

Such an approach would have a number of advantages. Firstly, it should have a significant deterrent effect. Few "white collar" criminals would relish having to pay income tax at a basic rate, for example, of between 50 and 70 per cent with steeply rising marginal rates on top of that. Secondly, punishment inflicted in this way would automatically take account of the offender's capacity to pay, which is often not the case with fines imposed by the courts. Thirdly, it should not be too difficult to graft such a system on to the existing tax structure and it could probably be administered by the Inland Revenue without a large increase in staff. The net effect would be to increase government revenue rather than expenditure.

T. R. Webb,
34 Meadowbank,
Primrose Hill Road, NW3

Road expenditure

From Mr A. P. de Boer

Sir, It is unfortunate that your report, Extra for M-Way repairs (November 5), repeated the misleading statistics of the Department of Transport about "increases" in road expenditure. The increases in planned expenditure by the Department are insufficient to take account of the Chancellor's forecast of inflation for 1988. Increases in expenditure planned beyond 1988 will only be real if the rate of inflation falls below 3 per cent.

Far from seeing an expansion, or speeding up, of the road construction and maintenance programme, the next few years will see a cut in real terms.

The situation can only worsen in the foreseeable future. Given the official forecast that road traffic in Britain is likely to grow by up to 32 per cent by the year 2000, the spending plans of the Department of Transport offer little prospect of alleviating our traffic problems.

A. P. de Boer,
British Road Federation,
Cowdray House,
6 Portugal Street, WC2

FINANCIAL TIMES

Thursday November 12 1987

London shares surge 5% as Tokyo falls steeply

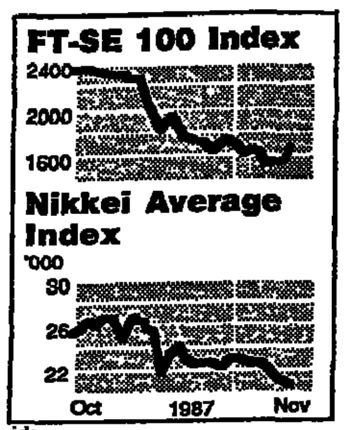
BY SIMON HOLBERTON IN LONDON AND STEFAN WAGSTYL IN TOKYO

SHARE PRICES surged in London yesterday as institutional investors returned the market despite a plunge in prices on the Tokyo stock exchange.

London shares staged their strongest rally since October 19 when the FT-SE index fell 249.6 points to cut almost 11 per cent of equity values. Yesterday, the index rose almost 5 per cent to close 65.8 higher at 1,639.3.

The market was boosted by some very positive comment by major securities houses that the first phase of the bear market was over. Senior analysts at Warburg Securities and Barclays de Zoete Wedd said the London market had fallen too far and represented good value considering the outlook for the UK and world economy.

In foreign exchange markets the dollar staged a modest rally during quite trading as some investors realised profits ahead of today's US trade figures. New York was virtually inactive because of the Veterans Day holiday.



Earlier, Tokyo suffered one of its worst trading days with shares plunging as investors' fears grew about the apparent lack of progress in the US Administration's efforts to cut its budget deficit.

A support operation, however, carried out by the four largest Japanese stockbrokers reduced the extent of the fall in prices. The Nikkei index, which was down 1,170 points at one stage, closed 649.70 lower at 21,036.76.

The 21,000 level was seen as crucial, not just for psychological reasons but because it is the point at which brokers have to seek extra security from investors who have been buying shares on margin.

According to traders, Japan's big securities houses - Nomura, Daiwa, Yamaichi and Nikko - co-ordinated their efforts to support prices. They jointly asked the Ministry of Finance to ease restrictions on margin trading in stocks, by allowing investors to deposit collateral of only 30 per cent of funds, against 50 per cent at present. The ministry did not reply immediately but was widely expected to agree.

The brokers then bought shares on their own account and on behalf of investment trusts, pushing up prices in the last hour of trading. Some traders said there were fears that the plunge in prices would hit private individuals, who were among the chief sellers of stock yesterday. Individuals accounted for most brokers' margin accounts.

However, there was no sign that individual investors' difficulties would spill over into any general crisis in the market. "There are no signs of panic. No one is really suffering," a foreign securities analyst said.

In London, share prices began to rise on evidence of the first significant buying by institutions. They were buying small amounts on Tuesday, but yesterday saw the first signs of sustained retail buying, analysts said. The FT Ordinary share index closed 43.1 points higher at 1,290.0.

Mr Ian Harwood, director of Warburg Secutiries's UK equities division, said recent share falls were overdone and that worries about a world recession were overblown.

But while the change in institutional sentiment was good for equities, gilt-edged securities were marked down. The gilt market's barometre stock, the Treasury 11¾ 2003-07, lost 1⅞ points to yield 9.20 per cent, as gilts were sold to buy equities.

Wall Street stock prices were little changed in quiet trading yesterday. The Dow Jones industrial average was up about 30 points for most of the morning, but closed only 21.05 ahead at 1899.2.

In London, the dollar closed at DM1.6760, up from Tuesday's close of DM1.6650, and at Y135.25 compared with Y134.50. The pound closed at \$1.7790 compared with \$1.7860 and at DM2.9825 compared with 2.9725. The Bank of England's trade-weighted sterling index closed at 75.4 points against 75.5 on Tuesday.

Trade fears, Page 6; Hong Kong inquiry, Fighting for survival, Page 20; World Stock Markets, Page 42

Carla Rapoport in Tokyo reports on the future of Japanese industry

Fighting for survival in land of rising yen

ON THE seventh floor of the Keidanren building in central Tokyo, an electronic monitor outside the lifts constantly flashes the current yen/dollar exchange rate in large red figures.

An official of the Keidanren, Japan's Federation of Economic Organisations, grimaced at the sign yesterday, sighing: "I have to close my eyes when I walk by it. It's too depressing".

Japanese industrialists have been complaining bitterly about *endaka* - the appreciation of the yen - since the dollar began its fall in 1985. But, rhetoric aside, industry has been making a stunningly swift adjustment to the change.

The latest bout of weakness in the US currency, however, is now cranking up the yen further. Local newspapers are once again talking in crisis mode, with the dollar's closing price turning into banner headlines each morning. Could this be the undoing of corporate Japan? The lessons learned from the last two years in Japan seem to indicate: not yet. From Japan's electronics giants to the lowly tableware manufacturers, Japanese industry has become leaner, more diversified, less export-oriented and more multinational in its approach to production and marketing.

Americans and Europeans who were hoping to lose a few competitors in the electronics, motor car or machine tool industries, for example, have not been lucky. Not even in the bombed-out sectors of shipbuilding, steel or coal has there been a single notable bankruptcy in Japan since the yen plummeted from 240 to the dollar to 140.

Can this adjustment continue as the dollar drops to Y130, or even Y120 or lower?

The crucial consideration appears to be not so much the level of the yen against the dollar, but the rate at which it rises. The slower the yen rises, the easier industry can cope. On the other hand, if the dollar goes into free-fall, Japan's industry will once again be looking at steeply lower profits from the strongest exporters and pools of red ink among the weaker ones.

Indeed, after a steep drop in profits in 1986, industry had almost completed its course in learning how to live with the high yen. The 330 major companies that recently reported profits for the six months to September, for instance, have staged an average improvement of 38 per cent at the pre-tax level.

Overall, analysts are expecting profit improvements of between 40 and 50 per cent by 1988, compared to 1986. As the dollar now slips from Y140 to Y130, that adjustment is continuing.

In talking with industry leaders, one senses less, not more, panic over the recent bout of yen appreciation. The real tension, they say, was at the beginning of the yen's rise. Today, they show a fair amount of confidence in dealing with the problem.

"We have coped with a drop from Y240 to Y140. We can almost certainly cope with Y130," said an executive from one of Japan's leading electronics companies yesterday.

At the Tokyo corporate headquarters of JVC, one of Japan's top consumer electronics companies, a similar sentiment can be heard.

Mr Masanobu Ikeda, general manager and director of corporate finance, said yesterday: "I think we can survive this crisis. We can expand in the domestic market and increase our overseas production. The most important thing for our survival is not the value of the yen, but the development of new technologies. That is where our future lies."

The Japanese point out that adjusting to a continually appreciating yen is not like trying to squeeze blood out of a stone. There are a number of factors which contribute to their confidence. They include:

- Large cash balances. Thanks to the years of the overvalued yen, most exporters have been able to substantially reduce their debt and pile up the cash. Salomon Brothers in Tokyo estimates Japanese corporations currently have about Y120,000bn in bank deposits and another Y10,000bn in specialised investment trusts.
- A leading edge in product innovation. Despite the effects of the high yen on margins, Japanese companies have increased, not cut, research and development. As a result, the latest advances in a whole range of fields are now coming from Japan. These new products, from microchips to luxury cars, are winning higher prices for the Japanese in overseas markets.
- More imports and increased overseas production. The reverse side of the high yen is cheaper imports. Not surprisingly, industry has actively stepped up its purchases of manufactured components from abroad. Indeed, Japan's ratio of imports of manufactured goods has leapt from 31.5 per cent in 1985 to 45.3 per cent in September of this year. At the same time, industry is fast moving low-value production offshore. Almost the entire audio cassette sector has moved to other Asian countries.
- Compliant workforce and stable shareholder base. When Japan's unemployment rate crept up to a record 3 per cent last summer, not a peep was heard from the country's trade unions. Workers have docilely accepted pay cuts, lay-offs and job changes, preferring to help the company through its difficulties. White-collar car company executives are out selling cars door-to-door while part-time, mostly female, labourers have been replaced by robots or Asian workers offshore.

At the same time, Japanese companies continue to enjoy the benefits of shareholders who do not clamour for better earnings or higher dividends. Most large stakes in corporate Japan are held by banks which do not expect steady quarterly improvements in earnings, but hold the shares as a strategic, long-term investment.

Even at the Keidanren, home of some of the most virulent complaints against the US budget deficit and the weak dollar, one can find calm voices. Mr Keiichi Nagamatsu, assistant director of the financial affairs at the Keidanren, said yesterday: "Each company in Japan must try for further rationalisation. There is room for this in every industry, even now, by changing from local producers to imports and by diversification of product lines," he said.

Industry can cope with this latest bout of *endaka* as long as the Government lives up to its pledge of stimulating the domestic economy, he said.

THE LEX COLUMN

London gets back into line

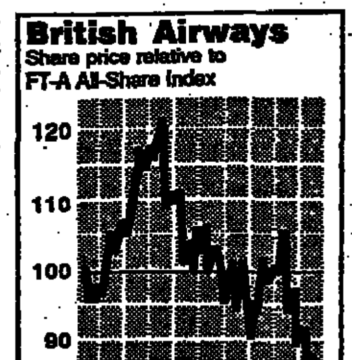
The London market has finally produced a rally. How long it will last there is no saying, but by yesterday morning the FT-SE100 index had risen 110 points in the course of 24 hours. Partly, this is a matter of waiting for New York and Tokyo; despite starting from stronger economic fundamentals than the US and less obvious overvaluation than Tokyo, London has fallen harder than either. One of the most heartening things for the market this week has been the appearance of corporate buyers - Granada, General Cinema, Lasmo - evidently convinced that the fall has gone far enough. And, as with the £15m spent by Lasmo on Enterprise Oil shares yesterday, the process has involved the much-needed injection of cash.

The liquidity crisis goes some way to answer the puzzling question of why the UK market should have led the two bigger markets as it did. The BP flop was a mixture of bad luck and bloody-mindedness on the Government's part, but the mountain of rights issues, flopped or otherwise, was simply a late bull-market excess. On the other hand, institutional cash flow will not simply bounce back. Net unit trust sales in the first nine months of 1987 were over a quarter of total institutional cash flow, and much of that will not only dry up but go into reverse through redemptions.

Though London may have discounted larger falls in New York and Tokyo than it has yet seen, they could still happen. Wall Street has today's trade figures to cope with, to say nothing of the Gramm-Rudman trigger on the budget deficit tomorrow week. There is still also the outside possibility that Tokyo will finally crack, especially if the NTT issue opens at a discount on Monday. This looks like an exploratory rally on London's part, and the market is by no means free from its tribulations.

BA/BCal

Had Lord King jumped without a parachute and escaped with only bruises, he could not be much more grateful than he must have been on receiving the verdict on British Airways' bid for British Caledonian. The Monopolies Commission, having decided at the outset that a merger would be against the public interest, reversed that opinion on the basis of proposals - put forward by BA - which might in the end take little away from BA.



BA has got what it wants on long-haul routes, though with a Civil Aviation Authority review possible; it can carry on operating the eight licences it must return until new ones are granted; and apply for those new ones; it appears able to keep Air Europe off the lucrative Paris route even after it withdraws the objections to Air Europe's licences; and it only has to give up 5,000 runway slots at Gatwick which, at less than 10 per cent of the merged group's total, is a small price to pay. Indeed, if BA does win back most or all of the eight licences the terms of the merger would not be substantially different from those the Commission originally found unacceptable. Since the Commission has not demanded undertakings from BA, the only sanction the government has is the threat of another reference. And to cap it all the three-month delay has reduced BCal's price by 35 per cent or more.

While the travelling public may find little good news in all this, it clearly is beneficial for BA shareholders. Add in the good interim results, and yesterday's 15 per cent jump in the shares to 144p is easily justified. The shares are now on a current year multiple of around 6, which given the potential savings from a merger looks remarkably cheap. The only reservation, but a substantial one, is the risk of a recession which could take a nasty chunk out of profits.

Junk finance

One of the healthier developments in the shakeout in the world's financial markets has been the exposure of the risks which have been taken by the more aggressive US investment banks. The US underwriters are still counting the cost of their over-exposure to last week's BP flop, and now comes news that Goldman Sachs and Salomon Brothers are having serious difficulties refinancing a \$600m bridge loan for the highly-leveraged \$4bn buyout of Southland Corporation.

US investment banks had become increasingly greedy in the US takeover boom, and the offer of bridging finance was a key element in an investment bank's ability to win the big deals. By putting up their own capital, the investment banks cut down the time it took to put deals together, and also assured themselves of fat fees in the subsequent refinancing of the loans in the high-yield junk bond market. They have been able to take much greater risks with their balance sheets than the commercial banks and although they have been able to lay off some of their risk, the longer the delay in refinancing the bridge loans, the greater the pain. Even more embarrassing is the possibility that Drexel Burnham Lambert, the pioneer of the junk bond market, may be called in to save the day.

Metals

The post-crash combination of reduced fear of inflation and increased fear of recession has had a predictable effect on most base metal prices. But copper has soared to record highs after the initial shake-out of speculators. This is less perplexing than it seems given the lowest stock levels since 1974 and recent capacity reductions. However, what is a little odd is the opposite reaction of the aluminium price, which had been rising gradually in tandem with copper all year. Aluminium would suffer sooner from a recession, being closer to the consumers, but surely some recovery is imminent.

The other odd thing about copper is that the relevant company stocks appear to have underperformed the crashing markets. The US copper producer Phelps Dodge, for example, lost close to half of its value in the crash and since the price went through the roof has only clawed back some of the way. Regardless of the industry's lower cost base that may reflect a healthy scepticism about how long copper can fly, or perhaps investors are plunging straight into the metal. RTZ is unlikely to feel too disappointed that it has spent so long shaking off its copper image.

Swiss Bank chief leaves Association

BY ALEXANDER NICOLL, EUROMARKETS EDITOR, IN LONDON

MR ANDREW Large is to relinquish the chairmanship of the Securities Association, the largest self-regulatory body in the newly-structured London financial markets, following his promotion yesterday to the board of Swiss Bank Corporation.

Mr Large, 45, will be the only non-Swiss director of the bank. Based in Zurich, with the rank of deputy general manager, he will be responsible for running its investment banking activities in Switzerland as well as the rest of the world.

He will step down from the Securities Association at the end of the year, shortly before the Association expects to receive formal authorisation to oversee all securities markets in the UK under the phased introduction of the Financial Services Act.

His replacement is likely to be from the Association's existing council, comprising senior practitioners drawn from the old Stock Exchange and a group of international securities firms with which the Exchange merged last year.

Mr Large was head of Swiss Bank Corporation International, the bank's London-based international securities arm which he helped found in 1980. He has been a prominent spokesman for the international capital markets, seeking to avoid the imposition of rules which, according to the international firms, would make London uncompetitive as a financial centre.

Mr Large recently led a successful campaign to persuade the Government to delay a key clause in the Financial Services Act. He said that following the Government's decision, the Association was rushing to produce a simplified rule-book to be submitted for authorisation to replace the previous draft.


Andrew Large

He said it would not reduce investor protection but would be easier to understand.

Swiss Bank Corporation's plans to continue building up its international equity business - it has substantial operations in London and Tokyo - have not been diverted by the stock market crash, Mr Large said.

Men and Matters, Page 18

Brazilians vote against oil groups

By Ivo Dawnay in Rio de Janeiro

NATIONALISTIC Brazilian politicians have voted to ban all foreign mining and oil exploration activities and force multinational petrol distributors into minority partnerships with national companies.

The votes, taken in the key committee drafting Brazil's new Constitution, are thought certain to be reversed when the document goes for final approval to a plenary session of Congress. This confidence is based on the emergence of a new centralist grouping in Congress which is pledged to reverse many of the left-inspired elements in the draft constitution.

Nevertheless, general political uncertainty and the constant shifting alliances in Congress mean that the clauses remain a major cause for concern for companies affected. Both foreign and local businessmen expressed considerable alarm yesterday.

Under the clauses approved by the 93-member drafting committee, the four foreign petrol distributors - Shell, Exxon, Texaco and Atlantic - would have to sell a controlling share of their businesses to Brazilian partners.

In the mining and oil exploration sectors, it appears that all non-Brazilian companies, which include Pecten, BP, Alcan and Alcoa, would have to abandon their activities.

HK appoints head of markets inquiry

BY GORDON CRAMB IN LONDON AND KEVIN HAMLIN IN HONG KONG

THE HONG Kong Government yesterday appointed Mr Ian Hay Davison, former chief executive of the Lloyd's insurance market, to head a wide-ranging inquiry which may lead to an overhaul of the territory's troubled securities industry.

This follows the HK\$4bn (\$513m) Government-led rescue of the Hong Kong Futures Exchange, and the four-day closure of local stock and futures exchanges, after the collapse in world equity values last month.

The inquiry also happens at a time of a widening rift between the small local stockbroking firms which dominate the administration of the stock exchange, and the international securities houses which account for the bulk of business in Hong Kong equities.

Mr Davison will be chairman of a six-member Securities Review Committee which Mr Piers Jacobs, Hong Kong's Financial Secretary, said yesterday would "recommend what changes are desirable to ensure the integrity of the markets and to protect investors".

Its brief covers the constitution, powers, management and operation of the stock and futures exchanges, the securities and commodities trading commissions, and the office of the securities commissioner.

The committee is to start next week, aiming to complete its report in six months. Its work is intended to be separate from that of Mr Robert Fell, who, as the newly appointed chief executive of the Hong Kong Stock Exchange, is charged with the more immediate return of stability to the market.

Four of the members of the Davison committee are prominent local Chinese businessmen with accounting or stockbroking experience. Foreign broking houses are represented by Mr Philip Tose, managing director of Citicorp Vickers da Costa in Hong Kong.

Mr Jacobs stressed that the Government had tried to achieve a balance among the membership "so that interests are properly represented." In London Mr Davison acknowledged: "One of the conflicts of interest is between the needs of the international broking market and the local Chinese brokers."

There had been criticism of the way the exchange authorities, in particular, had handled the market collapse, he added. He had not yet spoken to Mr Ronald Li, the controversial chairman of the stock exchange, but had received his pledge to co-operate with the committee.

Mr Li, in Taiwan this week for a meeting of Asian stock exchange chiefs, has been lashing back at foreign financial institutions which operate in Hong Kong, accusing them of being racists.

This drew a terse rebuke from Mr Jacobs: "I deplore remarks made by anyone that tend to fuel the fire. We are one community."

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	F	19	66	Dubrovnik	F	18	64	Malta	R	22	72	Rhodes	F	18	64
Algiers	C	20	68	Edinburgh	C	6	43	Manchester	R	8	46	Rio de J'o			
Amsterdam	Dr	8	46	Faro	F	19	66	Manila				Rome	F	20	68
Athens	C	18	64	Florence	C	17	63	Melbourne	F	16	61	Salzburg	C	9	48
Bahrain	S	26	79	Frankfurt	C	11	52	Mexico City				San Francisco	S	12	54
Bangkok	C	32	90	Funchal	S	20	68	Miami	C	23	73	Seoul	C	18	64
Barcelona	S	18	64	Geneva	F	11	52	Milan	F	10	50	Singapore	F	29	84
Beirut	C	20	68	Gibraltar	C	18	64	Montreal	S	-5	23	Stockholm	F	2	36
Belfast	C	9	48	Glasgow	R	6	43	Moscow	Sn	-1	30	Strasbourg	F	13	55
Belgrade	Fg	9	48	Guernsey	C	12	54	Munich	C	9	48	Sydney	R	14	57
Berlin	R	6	43	Helsinki	Sl	1	34	Nairobi	T	25	77	Taipei			
Biarritz	F	15	59	H. Kong	C	25	77	Naples	S	19	66	Tangier	F	18	64
Bombay	S	32	90	Innsbruck	F	9	48	Nassau				Tel Aviv	S	23	73
Bordeaux	C	14	57	Inverness	C	5	41	New Delhi	S	28	82	Tenerife	C	23	73
Brussels	C	9	48	Islamabad				New York	C	0	32	Tokyo	S	20	68
Budapest	C	8	46	Istanbul	F	16	61	Nice	S	19	66	Toronto	S	-7	19
B. Aires	S	25	77	Jakarta				Nicosia				Tunis	C	20	68
Cairo	S	24	75	Jersey	R	13	55	Oporto	F	15	59	Valencia	S	20	68
Cape Town	C	26	79	Jo'burg	Dr	14	57	Oslo	C	0	32	Venice	F	15	59
Caracas	C	29	84	Lima				Paris	C	10	50	Vienna	F	7	45
Casablanca	F	20	68	Lisbon	S	16	61	Peking	C	12	54	Warsaw	R	1	34
Chicago	S	-3	27	London	R	11	52	Prague	S	9	48	Washington	Sn	-2	28
Cologne	C	11	52	Los Angeles	S	17	63	Reykjavik	S	2	36	Zurich	C	12	54
Copenhagen	R	5	41	Luxembourg	F	7	45								
Corfu	C	17	63	Madrid	S	15	59								
Dallas	F	18	64	Majorca	C	20	68								
Dublin	C	12	54	Malaga	S	20	68								

Readings at mid-day yesterday

C-Cloudy D-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

Continued from Page 1

Arab leaders unite to condemn Iran

pledges of assistance for his near-bankrupt country amounting to more than \$2bn in cash and oil if he fell into line with fellow Arab rulers.

Arab observers said President Assad's concern about deteriorating economic circumstances at home and his need for financial assistance were behind his initial decision to attend the summit.

Observers in Amman said it was premature to predict a loosening of ties between Damascus and Tehran as a consequence of the summit.

But the communique may have an impact on President Assad's attempts to balance relations between his Arab neighbours and Iran. Similarly, tentative steps towards a reconciliation between Mr Assad and President Saddam Hussein of Iraq may affect Syria's previously close collaboration with Iran.

The summit decision to endorse the UN Security Council's ceasefire Resolution 598 and call for its implementation "in toto, according to the sequence of its operative paragraphs" was a boost for Iraq's diplomatic drive to isolate Iran. Resolution 598 includes a provision for an inquiry into the origins of the Gulf war, but only after a declaration of a ceasefire by both sides.

Iran, however, wants Iraq to be declared the "aggressor" before agreeing to a ceasefire. Unanimous summit support for UN mediation efforts will help underpin attempts by Mr Javier Perez de Cuellar, the UN Secretary General, to bring about an end to the conflict.

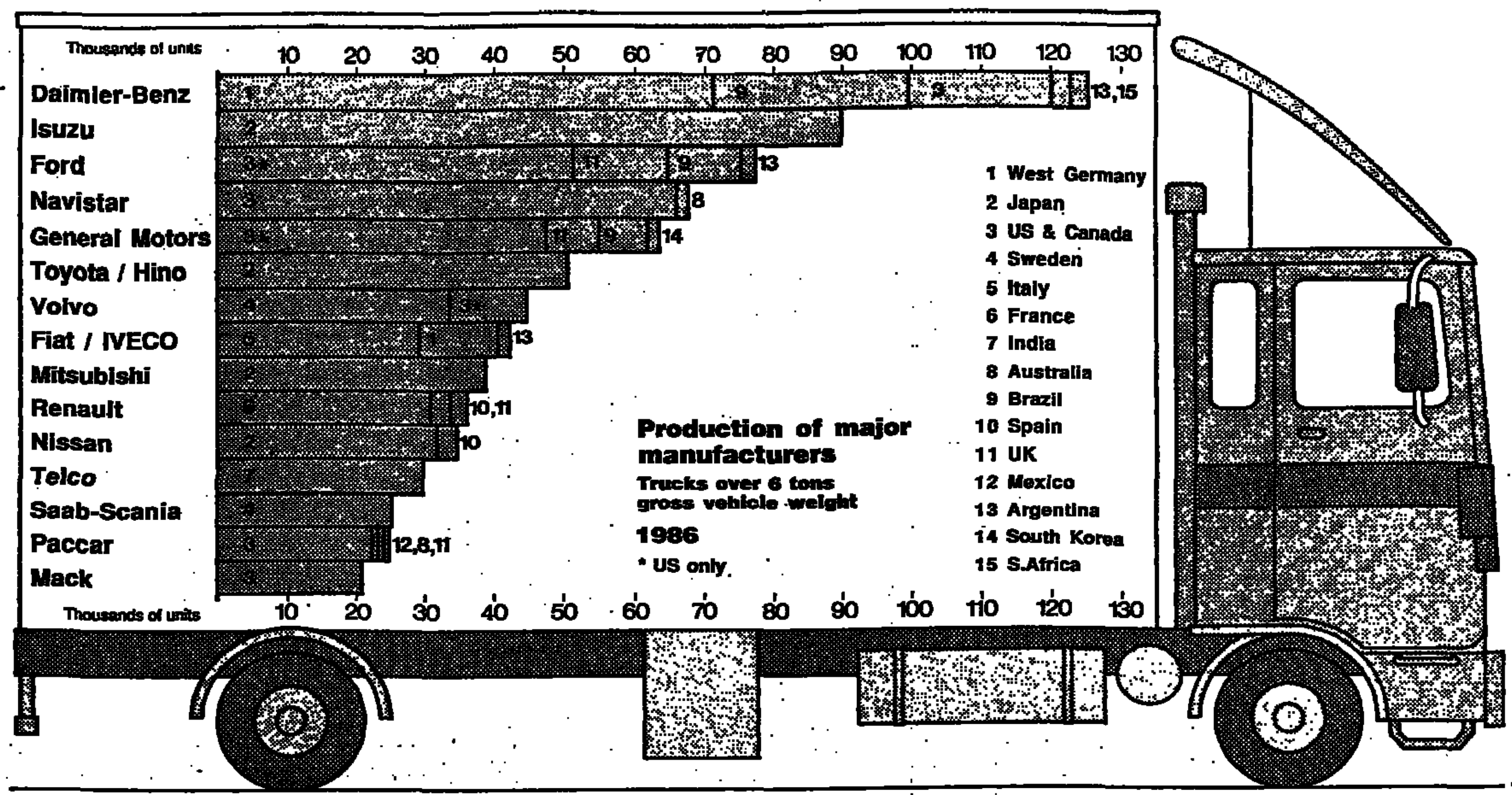
The appearance of a united Arab stand, however fragile, will add to pressure on the Soviet Union and China to support fully the UN efforts to end the Gulf war

SECTION III

FINANCIAL TIMES SURVEY

The European truck industry leads the world but over-capacity is now a real threat. Of the 50 producers in 1960 only 11 are still in business and retrenchment has not yet ended. That is why one company's increasing links with Japan are meeting criticism, says Kenneth Gooding

CONTENTS



Source: Daimler-Benz

Leighton Morris

Commercial Vehicles

Looking to the priorities

NOT FOR THE first time, Daimler-Benz, the Mercedes vehicles group which is the world's biggest heavy truck producer, is at the centre of controversy which has brought outspoken criticism from its West European competitors.

The point of contention is Daimler's strengthening links with Mitsubishi of Japan and whether the German group should have looked for a European partner instead.

The issue came to the surface in September and caused squabbling among the European truck producers who otherwise were in a relatively upbeat mood.

Demand for heavy trucks (over 3.5 tonnes gross weight) this year has been the highest since the peak of 1979 and this has relieved some of the stress in an industry which still has many underlying problems to solve.

The optimism has now evaporated in the wake of the stock market turmoil and the possibility that economic activity worldwide will go into decline and inevitably dampen demand for trucks.

In the face of such potential calamity, is not the squabble about Daimler's choice of a Japanese partner to develop and produce in Europe a new range of vans just a storm in a teacup?

Not so, say its rivals.

Mr Giorgio Garuzzo, managing director of Iveco, the Fiat-owned group which is Europe's second-largest heavy commercial vehicle producer, says the venture would give Daimler the opportunity to import technology, components and possibly built-up vehicles to Europe from Japan, and other European companies might be forced to follow suit.

There were many potential European partners which Daimler could have considered, "or if it wanted to disinvest there would have been no shortage of European buyers."

There was also a danger that the proposed Daimler-Mitsubishi deal would divert the European Commission's attention away from what Mr Garuzzo claims are unfair competitive practices of Japan, not only those affecting the motor industry.

But Mr Edzard Reuter, new chairman of Daimler's management board, does not accept such arguments. "I am free of European nationalism," he says. "We must not start a fight between the continents. We need European harmonisation to be able to compete. But that should not stop cooperation with non-Europeans."

Mr Gerhard Liener, who until recently was head of Daimler's commercial vehicle division, believes the European industry would do better to concentrate on other matters.

"The key words are: over-capacity, weakness of the dollar, protectionism, disadvantageous sites, the debt crisis of the Third World countries, the drop in demand from the Opec members and so on," he suggests.

"An additional problem is that of the state subsidies given to national producers in various European countries. This serves to intensify still further the already very keen competition in (truck) prices and conditions of sale."

These underlying problems have already prompted a further major change in the industry's structure so that, of the 50 truck producers in Western Europe in 1960, only 11 are still in business.

And, according to Mr Aart van der Padt, chairman of Daf Trucks management board: "There is every indication that this process has not finished yet."

In the past year or so, after the industry had time to consider its future following the halving of demand for trucks between 1979 and 1983, the following has happened:

General Motors, the world's biggest automotive group, has quit the heavy truck business by closing down Bedford in Britain and selling off its US operations to a company controlled by Volvo of Sweden.

Ford, the second-largest automotive group, has eased its way out of truck production in Europe by selling its operations to a joint company in which Iveco has effective control.

Daf of the Netherlands took control of Leyland Trucks in the UK.

Just as important, Daimler moved its commercial vehicle business into a separate division for the first time with its own management team, which is willing to look at everything again from a different viewpoint.

The most obvious outstanding structural issue facing the European industry concerns Enasa, the Pegaso vehicles group of Spain which is one of the few truckmakers to suffer financial losses this year.

The Spanish government has tried to sell it - to Toyota of Japan and General Motors among others - but with no success. The Government has had to settle for a new management team and further cash injections in the hope that Enasa can be turned into a saleable company.

One solution might be for it eventually to join the Daf-Leyland group. Enasa already has a joint venture with Daf.

In spite of Daimler's complaints about government subsidies to truckmakers, it is already clear that nearly all the European governments which own truck companies want to return them to the private sector.

Apart from the examples in Spain and the UK (where it cost the British government another £680m to offload its loss-making truck and bus business) the French government has also arranged for some domestic banks to take equity in Renault Vehicules Industriels, part of the state-owned Renault group, and thus *gradually privatise RVI.*

Perhaps the one exception to the current rule is the Dutch government which still has an indirect shareholding in Daf and sees the company as a national asset to be cherished and protected.

It is not clear whether the Dutch government would continue to keep a shareholding if the Daf management has its way and the company is floated on the Amsterdam and London stock exchanges in the not too distant future.

The root of the truck industry's problems go back to the late 1970s when world demand for heavy trucks over 15 tonnes gross weight, instead of rising as expected, collapsed from about 520,000 in 1979 to only 350,000 in 1983.

This had a major impact on the Western European companies which are the main providers wordwide of trucks of this type.

Mr Wilfried Lochte, chairman of MAN Commercial Vehicles, says: "The European truck industry leads the world - but there is a danger it will be weakened by this over-capacity."

World demand has now stabilised at about 400,000, according to Scania's calculations, but the European companies still have some way to go to cut capacity to match demand.

At least 20 per cent of European truckmaking capacity has been removed in the past few years but rivals still complain that Daimler left it very late before switching some of its West German capacity to car component production and that RVI did not act fast enough or cut deep enough either.

Ironically, some truck companies have run short of capacity in Europe this year. They have the equipment and the space but not the trained people - and they will not be willing to create any more jobs unless they are sure they will need them for a very long time.

Capacity shortages have been caused by remarkably strong demand in most Western European markets - only the UK, where there has been but a marginal improvement, and Italy, which refuses to turn round, have bucked the trend.

Sales of trucks over 3.5 tonnes in Western Europe last year rose by 4.7 per cent to 246,430. During the first six months of this year sales were up again, by 9.2 per cent to 130,000.

Optimists say that sales could exceed 260,000 this year, giving a third successive year of growth, the best result since 1980 but still well below the 315,000 achieved in 1979.

Demand in Europe this year has done much to offset the almost complete lack of sales in the European's traditional export markets. But last year there was still a gap and, compared with the 4.7 per cent growth in sales, production of trucks over 3.5 tonnes fell by 4 per cent to 324,475.

Looking ahead, the European Commission is determined to harmonise not only the technical rules for trucks but also to deregulate transport so that there should be free movement of goods between member countries by 1992.

West Germany, Spain and, to some extent, France will feel the greatest impact as their national regulations are removed. Some estimates suggest that tariffs on West German routes are about 30 per cent above competitive levels.

Because German hauliers have the highest tariffs and most protection, they can afford to pay high prices for their trucks and demand very high specifications for their vehicles.

They tend also to use the service centres operated by the truck manufacturers rather than do servicing and repair work in-house.

When their protection is removed, the hauliers will have to change their ways - and this has obvious negative implications for the two major German truck makers, Daimler and MAN.

As for the question of unifying the regulations governing such things as the weight and dimensions of trucks, Iveco's Mr Garuzzo believes the Commission should think carefully.

"I am convinced complexity is good for the productivity of the transport industry and will become more pronounced. And it will also tend to create a barrier which producers in other parts of the world, trying to sell into Europe, will find difficult to get over, if not helped to do so by the Europeans themselves.

"Advanced specialisation of this kind has provided European industry in general with stimulus to innovate and to develop more and more sophisticated techniques, giving it undisputed leadership over the rest of the world."

The US

Upturn marred by Wall Street plunge

UNTIL THAT fateful day in mid-October when the bottom fell out of Wall Street, the US truck industry was looking forward to a year or two of respite from the upheavals it has suffered since 1979.

Demand had been picking up significantly throughout the whole of the truck market. After a fall of 7 per cent in 1986 to 265,000 vehicles, the market was widely expected to rebound this year to around the 285,000 level recorded in 1985.

The fastest growth was once again expected to be in the medium-duty class 4 to 7 units, with Gross Vehicle Weights (GVW) of 14,001 to 33,000 pounds. But even the heaviest class 8 trucks, weighing 33,000 pounds and over, seemed to have a good chance of breaking out of the sales slump of 1986.

The specialist truck makers' stock price performance and profitability told the same story.

Even Navistar, for years the biggest of the US specialist truckmakers and one of the grimmest victims of the worldwide 1982 recession, seemed finally to be emerging from the shadow with a much reduced debt load and three quarters in a row of solid profits. Its share price almost doubled between the end of 1986 and the summer of this year.

Paccar, the conservatively managed and widely respected Seattle-based company whose Kenworth and Peterbilt heavy-duty trucks had pushed it to the top of the industry's sales league in the first half of this year, seemed well on the way to another year of solid profits - approaching if not beating the record $113m it earned in 1984.

For the first time this decade, it almost began to look as if there might be enough room in the market for peaceful coexistence between these two indigenous industry leaders and the powerful foreign-owned or foreign-dominated challengers: Freightliner, Mack and White.

The class 8 sales were forecast to rise to more than 125,000 units from last year's 116,475, an expectation which still looks like being fulfilled. But even more important, the market for the biggest juggernaut trucks was forecast to grow again in 1988 to something approaching 140,000.

US factory shipments of heavy-duty trucks

	1980	1981	1982	1983	1984	1985	1986
Chevrolet	2,166	1,560	672	561	893	897	503
Dodge	168	—	—	—	—	—	—
Ford	15,572	13,638	9,490	9,052	18,845	18,440	14,712
GMC	19,306	15,665	8,731	9,733	17,671	13,818	9,529
AM General	89	—	—	—	—	—	—
Freightliner	9,865	9,385	6,986	10,999	17,814	17,709	17,376
IH (Navistar)	23,395	28,143	18,471	19,382	30,834	23,776	24,354
Kenworth	10,669	11,043	7,106	8,548	13,670	10,801	10,381
Mack	24,618	20,559	15,540	13,345	25,901	25,139	17,114
Peterbilt	6,987	7,815	5,577	8,503	14,642	11,322	10,282
White	6,853	4,527	3,963	5,121	9,906	11,320	11,238
Others	2,138	1,957	650	409	673	1,008	988
Total independents	84,614	83,712	58,293	66,307	113,440	101,075	91,733
Total industry	121,826	114,575	77,186	85,653	150,849	134,230	116,477

Source: Ward's. Research: Rivka Nachoma.

That would have made 1988 the second best for the heavy truck sales this decade and would have gone a long way to repair the tattered balance sheets and shattered capital spending plans of an industry which had become a shadow of its former self.

Unfortunately, since the crash on Wall Street all of the economic forecasters have scurried back to their computers. The truckmakers await their new predictions with utmost trepidation, for few businesses are more dependent than trucking on the state of the economy, the strength of industrial activity and the level of consumer demand.

But the cloud of potential recession does possibly have a silver lining. Over the next few years the structural shift in the US economy away from goods production and towards services is almost certain to be reversed.

In response to the upheavals of the financial markets around the world, the US monetary authorities have strongly suggested that devaluation of the dollar is likely to continue, boosting the manufacturing sector and promoting tradeable goods production. This long-term structural shift should be good for the truck industry for two reasons: Firstly, manufacturing industry, unlike financial services, for example, makes concrete products and uses inputs which need to be transported.

Second, the US truck makers will become steadily more competitive in relation to imports if the dollar continues to slide.

However, regardless of the timing and the structural characteristics of the next recession, and whether the dollar goes on falling or not, the battle for market share between indigenous and foreign truckmakers is unlikely to abate in the foreseeable future.

In the medium-duty class 4 to 7 area of the business, the two leading US car manufacturers - GM and Ford - appear to be holding their own, having completed major cost-reduction programmes in the US manufacturing facilities. Nevertheless, both companies have made clear that supply contracts with Japan and Latin America will form a permanent feature of their long-range strategies.

Thus, GM is importing trucks from Isuzu and Ford's line-up is increasingly dominated by trucks made by its joint venture with Volkswagen in Brazil. Meanwhile, the two specialist heavy truckmakers, Navistar and Paccar, are boosting medium-duty imports from Nissan and VW do Brasil respectively.

At the top end of the market, in the 33,000 pound-plus class 8 category, a further fall in the dollar may be of limited benefit to the domestic manufacturers. The reason is that all five of the major class 8 truckmakers assemble their vehicles within the US, so that the US-owned companies enjoy no real competitive advantage from the dollar's decline.

The key to long-term success in this business appears to be possession of enough financial strength and determination to make a long-term commitment to an extremely cyclical and risky market. By that criterion, the future for US-owned truckmakers remains uncertain.

General Motors, which in 1979 was second only to Navistar (at that time International Harvester) in its share of the class 8 market, has virtually abandoned heavy truck making. By merging its class 8 business with Volvo-White, in a joint venture which is majority owned and dominated by Volvo, GM has given the Europeans another big boost in the US market.

Powerful European companies now control three of the six major competitors in the US class 8 business. On the basis of the two companies' 18 per cent market share in 1986, Volvo-GM should become the third biggest contender in the market, after Navistar with 21 per cent and Paccar, whose Kenworth and Peterbilt lines enjoyed 18 per cent between them.

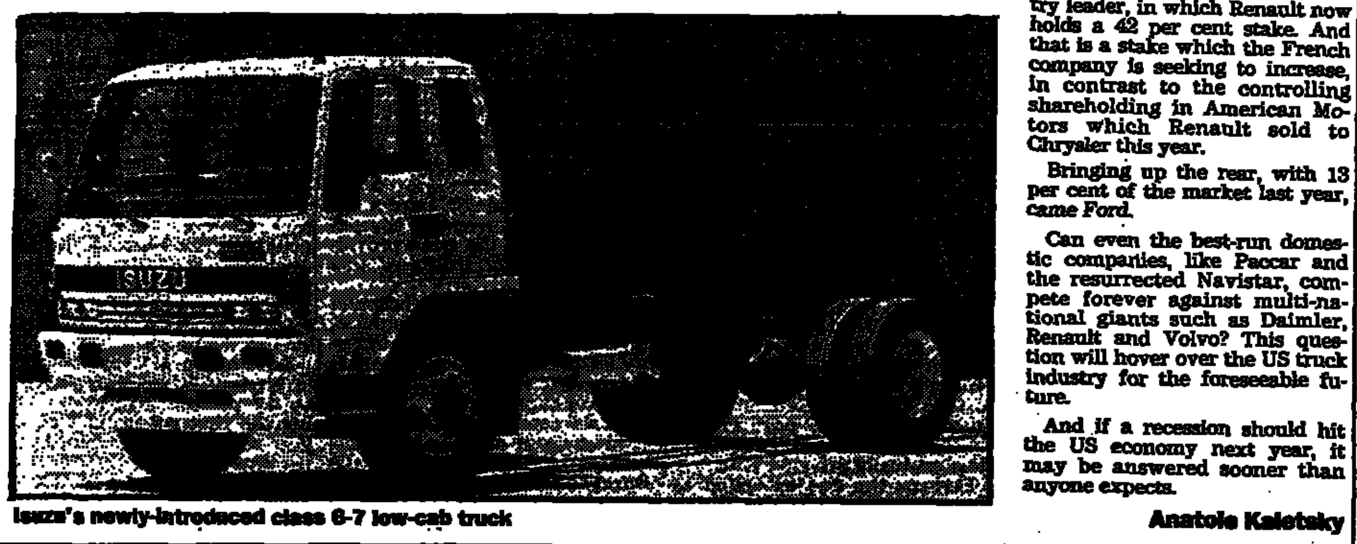
Last year, the next biggest company, with 15 per cent, was Freightliner, a wholly-owned subsidiary of Daimler Benz. Fifth, with 14.5 per cent, came Mack Trucks, an erstwhile industry leader, in which Renault now holds a 42 per cent stake. And that is a stake which the French company is seeking to increase, in contrast to the controlling shareholding in American Motors which Renault sold to Chrysler this year.

Bringing up the rear, with 13 per cent of the market last year, came Ford.

Can even the best-run domestic companies, like Paccar and the resurrected Navistar, compete forever against multi-national giants such as Daimler, Renault and Volvo? This question will hover over the US truck industry for the foreseeable future.

And if a recession should hit the US economy next year, it may be answered sooner than anyone expects.

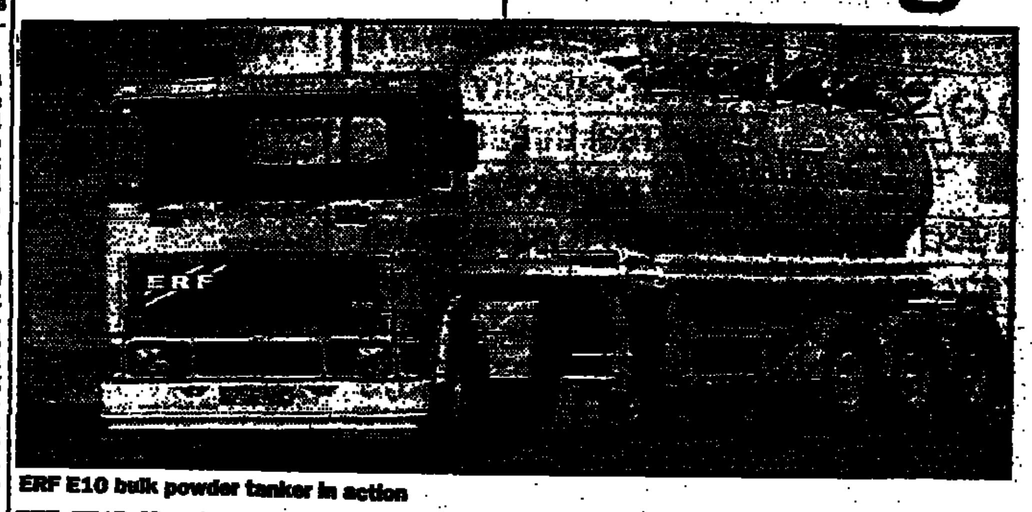
Anatole Kaletsky



Isuzu's newly-introduced class 6-7 low-cab truck

The UK

Production edges up after restructuring



ERF E10 bulk powder tanker in action

THE YEAR IS ending with the UK's truck industry in markedly different shape from when 1987 began.

Two of the former "big three" UK producers, Ford's truck operations and Leyland Vehicles, are acclimatising to new roles as, effectively, junior partners within joint companies.

Ford has been under under the control of Iveco, Fiat's commercial vehicles subsidiary, for just over a year; Leyland Vehicles became part of a joint company with DAF of Holland in April.

The conclusion of a deal also appears imminent under which Bedford's remaining truck operations at Dunstable will be sold by its General Motors parent to Mr David J Brown's group of vehicle production companies based in north-east England.

Another part of the former State-owned Leyland group, the heavy truck maker, Scammell, will close next year with the loss of 600 jobs as part of the Leyland DAF reorganisation.

All this restructuring has been taking place against the background of a slowly improving production performance by the UK commercial vehicle industry overall, capacity additions and more buoyant market conditions - at least within Europe - than have been seen for some years past.

Sales of commercials over 3.5 tonnes in Western Europe are expected in some quarters to pass 400,000 this year for the first time since the collapse of the world truck market in 1980. In the UK itself, sales also look set to put up their best performance since the heady days of 1979 when sales reached 80,000 and which is now expected to stand as a record for all time.

Over the first three quarters of the year registrations totalled 43,905, up 6.05 per cent on the same period of last year. Barring an exceptionally severe end-of-year downturn - regarded as unlikely, falling stock markets notwithstanding - registrations look certain to exceed last year's 12-month total of 54,100. The 1986 total itself represented the fourth year of climbing sales away from the 30-year low of 45,000 units to which the market plummeted in 1982.

However, few quarters of the industry believe that heavy truck sales in the UK are likely to rise much above this for the forseeable future. Higher payload trucks and much improved utilisation by operators using sophisticated computerised systems are likely to mean that 60,000 sales will be viewed as the "high-water mark" for the future, according to Mr Richard Ide, director of MAN Volkswagen.

Even this level looks unobtainable in the near to medium term. Consultants DRI Europe, for example, have been forecasting maximum UK registrations of 56,100 up to 1995. The slower world growth expected from next year, as a result of the knock-on effects of the stock markets collapse, makes such an outturn even more likely.

The UK production and export fronts are more encouraging, even though a 30 per cent rise in unit exports of light commercial vehicles (of under 3 tonnes gross weight) to 16,005 in the first half of this year was not matched in the heavier sectors. Exports of these rose by 1 per cent to 12,605.

Imports, however, were down quite sharply - goods vehicles under 3 tonnes by 22 per cent to 36,140 and those of other commercials by 12 per cent to 17,345.

As a result, for the first time since the commercial vehicles account entered the red in 1984, the year's first half saw a reduction in the UK's balance of trade deficit on commercial vehicles. It fell to £227m from £253m in the same period a year ago.

The improvement appeared to bear out a prediction of the SMMT at the start of the year that the UK's improving competitiveness, helped by sterling's roughly 20 per cent fall against principal Continental currencies last year, would show benefits - but that it would take some time before they started to appear.

On the production front, a major question is the extent to which UK output may be affected by the new mainland European ties of Ford and the former Leyland Vehicles.

So far, the developments have been positive. Iveco Ford, for example, has increased output rates at its Langley, Berkshire, plant four times this year and is producing 76 trucks a day compared with 50 immediately before the merger. Additional employees have been taken on for the first time since 1979 and the company expects to produce 14,800 trucks this year compared with the just under 12,000 built in 1986.

Europe's production by manufacturer*

	France	Germany	Italy	N'lands	Spain	Sweden	UK	Western Europe Total
Daimler-Benz	0	88520	0	0	1346	0	0	89866
Renault RVI	32289	0	0	0	2987	0	4098	39374
Iveco	0	0	39137	0	0	0	0	39137
Volvo	0	0	0	0	0	33839	0	33839
Scania	0	0	0	0	0	25511	0	25511
MAN	0	17482	0	0	0	0	0	17482
Ford Iveco	0	0	0	0	0	0	14342	14342
DAF	0	0	0	13944	0	0	0	13944
Magirus Iveco	0	12475	0	0	0	0	0	12475
Leyland	0	0	0	0	0	0	9807	9807
GM/Bedford	0	0	0	0	0	0	7527	7527
Enasa/Pegaso	0	0	0	0	7126	0	0	7126
VW	0	5183	0	0	0	0	0	5183
Motor Iberica	0	0	0	0	3894	0	0	3894
ERF	0	0	0	0	0	0	1857	1857
Seddon	0	0	0	0	0	0	1626	1626
Foden	0	0	0	0	0	0	533	533
Dennis	0	0	0	0	0	0	479	479
Faun	0	226	0	0	0	0	0	226
SD	0	0	0	0	0	0	129	129
Terberg	0	0	0	117	0	0	0	117
Ginaf	0	0	0	55	0	0	0	55
Sovam	25	0	0	0	0	0	0	25
FTF	0	0	0	8	0	0	0	8
Others	0	0	0	2	0	0	0	2
Total	32314	123886	39137	14126	15353	59359	40398	324474

*Over 3.5 tonnes

Source: Automotive Industry Data Yearbook.

In September, DAF announced that the UK plant at Leyland was to lift output substantially for the second time this year, to 56 trucks a day from 41. And Mr Aart van der Padt, chairman of DAF's management board, has disclosed that DAF is talking with Paccar of the US - which had itself sought to buy Leyland - about the possible supply of Roadrunner medium trucks for the US. This could entail volumes of up to 3,000 a year.

Even if these talks fail, the Leyland, Lancashire, plant expects to produce some 12,000 vehicles this year compared with 10,000 in 1986.

Meanwhile, Volvo, which announced earlier this year that it was increasing the capacity of its truck plant at Irvine in Ayrshire from about 2,000 units a year to 2,800, is already producing at a rate above its official expanded capacity. By the end of this year it expects to have produced 2,600 vehicles compared with 2,095 in 1986.

The additional capacity is allowing the company to assemble virtually all its most popular heavyweight trucks in the UK.

Renault Truck Industries is also well into a recovery phase after doubts had been expressed last year about whether the Dunstable-based company had a future, despite the investing of more than £100m in it over the past six years.

In June it produced a net profit for the first time and has increased the daily output rate by 40 per cent since January.

To help complete the picture, ERF, the independent British heavy truck maker, expects to reach record production levels by February of 17 trucks a day, equivalent to about 3,000 a year. The previous peak of 16 a day was reached in 1979.

Even at these levels, ERF's capacity remains under-used and chairman Mr Peter Foden says ERF could produce up to 4,500 trucks a year using existing facilities and without introducing double shifts.

One thing that is not clear is the Brown group's full intentions towards Bedford. It has already said that the military and export trucks the plant is producing - 5,500 this year - would continue, guaranteeing the jobs of all 1,100 workers, with some additional input such as a sophisticated multi-wheel drive and steering system.

But will the new owners, if the deal is finally done, be tempted back, eventually, into the mainstream commercials business?

Not surprisingly, the battle for market leadership in the medium and heavy truck sector now involves only Iveco Ford and Leyland DAF, and at the end of the third quarter they were virtually neck and neck.

Iveco Ford's sales totalled 9,050, a figure which increased to 10,200 when other Iveco and Ford units were taken into account, compared with 9,935 for Leyland DAF. Mercedes was a distant third, with 6,305 units sold.

Mr Alan Fox, Iveco Ford's director of commercial operations, had pledged in the middle of the year that Iveco Ford would finish as market leader - "there may be some ups and downs, but we shall on top."

This still remains to be seen - but the company's 1,400-strong workforce is likely to have derived some comfort from remarks in September by Mr Giorgio Garuzzo, managing director of Iveco itself, that the UK company had performed better than expected and that he was now more confident that truck production would stay in Britain, even after the current Cargo models are replaced.

There had been much speculation at the time of the merger that Iveco Ford could be reduced to an assembly role plus production of some components.

Competition remains severe, however. For example, although commercial vehicles registrations set a new record for a single month in August, when the E registration plate was introduced, allegations flew that Iveco Ford had offered exceptionally heavy discounts on its Cargo truck range in nearly doubling its sales for the month to 1,685, compared with 890 in the year-ago month.

That competition should be severe is not surprising, for the surviving players were all keen to pick up the biggest slice possible of the nearly 10 per cent share of the market put up for grabs by Bedford's withdrawal from making medium and heavy trucks for civilian markets last December.

John Griffiths

France

Market recovers after price war

Registrations in Europe – 1986*

	Austria	Belgium	Denmark	Eire	Finland	France	Italy	N'Lands	Norway	Spain	Sweden	Switz	UK	Germany	Total	% Share
Daimler-Benz	1125	2115	1060	143	719	8057	1964	3272	1344	2270	474	1337	7640	34257	65777	26.69
Iveco	392	562	583	82	46	6009	13370	512	478	1982	116	250	0	7079	31461	12.77
Renault	19	570	227	216	52	16019	519	293	187	3496	3	72	4506	486	26669	10.82
Volvo	412	1517	2000	133	1171	4116	800	2189	1839	431	2754	581	4562	1011	23516	9.54
MAN-VW	798	550	435	32	128	826	397	1219	529	1046	344	376	2541	10575	19796	8.03
Scania	315	929	1422	115	707	1670	1611	1776	1002	530	1969	529	2627	1282	16684	6.77
DAF	291	1335	290	143	26	2214	433	3860	85	582	63	132	3071	395	12920	5.24
Iveco Ford	0	0	0	0	0	0	0	0	0	0	0	0	10477	0	10477	4.25
Leyland (DAF)	0	32	0	104	0	218	0	0	0	0	0	0	9372	0	9726	3.95
Pegaso	0	66	3	0	0	0	0	15	0	5379	0	0	0	0	5463	2.22
Bedford-GM	1	19	11	142	0	21	25	0	0	0	0	0	4938	0	5157	2.09
Motor Iberica	0	0	0	0	0	0	80	0	0	3293	0	0	26	0	3409	1.38
Ford (Iveco)	80	135	455	213	158	415	165	252	477	0	152	24	0	468	2994	1.21
ERF	0	0	0	2	0	0	0	0	0	0	0	0	1604	0	1606	0.65
Seddon	0	0	0	3	0	0	0	0	0	0	0	0	1589	0	1592	0.65
Steyr	1295	3	0	0	0	0	0	0	0	0	0	143	0	0	1441	0.58
Toyota	10	31	250	11	59	0	0	0	199	0	0	0	0	0	560	0.23
Foden	0	0	0	3	0	0	0	0	0	0	0	0	572	0	575	0.23
Hino	0	0	0	317	0	0	0	0	109	0	0	0	0	0	426	0.17
Mitsubishi	8	115	26	99	54	0	0	104	102	0	0	0	0	0	508	0.21
OEAF (1)	324	0	0	0	0	0	0	0	0	0	0	0	0	0	324	0.13
Mazda	0	43	0	0	0	0	0	0	180	0	56	0	0	0	279	0.11
Isuzu	0	0	21	87	35	0	0	0	35	0	14	0	0	0	192	0.08
Others	4	85	6	187	605	529	589	561	0	49	169	613	1105	4880	1.98	
Total	5074	8087	6789	2032	3760	40294	18863	14063	6864	19611	5894	3613	54136	58880	246432	100.00

*Over 3.5 tonnes

Source: Automotive Industry Data 1987 Yearbook.

IT HAS BEEN a good year for the French truck industry after the miseries of the last few years. The market has recovered, with sales expected to rise to 43,500 to 44,000 vehicles this year compared with 39,800 last year.

The price war which shook the market in the recent past has abated, with the main manufacturers apparently content to maintain the status quo in terms of their market share.

But most significant of all, Renault Vehicules Industriels (RVI), the large truck subsidiary of the state-owned Renault car group, has returned to the black for the first time since the truck concern was formed from the merger of the Saviem and Berliet companies in 1974.

After major restructuring, the Renault truck subsidiary managed to report a small consolidated net profit of FFr30m for the first half of this year. The company expects to break even or show a small profit for the whole of the year, thus accelerating its recovery by a year over its original recovery targets.

RVI's recovery programme has entailed a sharp reduction in the company's production break-even point which has been brought down from nearly 80,000 vehicles a year in 1984 to about 37,000 in 1987.

First-half production this year totalled 24,720 vehicles and the company is now forecasting production of at least 43,000 for the full year compared with 41,300 last year.

The restructuring has also involved a big reduction in RVI's workforce. By the end of this year, it will have been cut to about 19,000 people from 23,700 at the end of last year and 27,000 five years ago.

RVI's parent company also helped put the truck subsidiary back on its financial feet this year through an important injection of fresh capital and transfer of the parent company's 42 per cent stake in Mack Trucks of the US directly into RVI.

In all, the financial restructuring operation involved about FFr5.2bn including the injection of FFr2bn in cash from Renault into RVI, another FFr2bn in the form of the Mack 42 per cent stake, and last but not least FFr1.2bn of fresh capital from France's three major commercial banks including Banque Nationale de Paris, Credit Lyonnais and Societe Generale.

The involvement of the three big banks was perhaps the most novel aspect of the RVI recapitalisation, at the end of May. The three banks agreed to invest FFr400m each in RVI, either in equity warrant bonds or in equity warrant secured loans, in a move designed to bring in private shareholders' capital.

Indeed, the operation eventually should enable RVI shares to be introduced to the Bourse in a few years' time in what could be the beginning of a partial privatisation of RVI.

Following the RVI recapitalisation, the French government has now decided to change the legal status of the parent company itself to transform Renault from a regie, a state-owned company with a special privileged position, into what the Government calls an ordinary state-controlled company. This too will involve a restructuring of Renault's balance sheet, including the write-off of some FFr12bn-worth of debts.

The RVI recapitalisation this year helped the truck group to reduce debt, thus saving an annual FFr200m in interest payments. The transfer of the Mack stake to RVI has also helped consolidate the links between the French and US truck companies.

Collaboration between the two partners has been strengthened. Indeed, the tangible results of this partnership are now becoming increasingly visible. Renault is now delivering 6,000 vehicles a year to the US. The two companies also recently unveiled in the US an engine for military vehicles jointly developed by the two partners.

The French group is now also planning to increase its holding in Mack by buying a further 3 per cent stake in the American truckmaker.

It also confirms the French company's commitment to its US truck investment, in sharp contrast to its decision earlier this year to withdraw from the US car market by selling its controlling interest in American Motors to Chrysler.

In France, RVI recently launched the group's heavily-revised range of Midliner medium-sized trucks. The French group has held on to a 40 per cent share of the domestic truck market well ahead of its nearest rival, Daimler-Benz, which has 19-20 per cent.

Iveco, which once had ambitions to become number two on the French market, continues to lie third with a 14 to 15 per cent share followed by Volvo with 9 to 10 per cent.

If the general situation has improved on the French market, one black point remains exports to developing countries. The international debt crisis and the economic problems of developing nations have continued to depress what once was a steady source of sales.

RVI has not escaped the general slump in these exports, which have declined for the French group from 10,700 vehicles in 1982 to 4,400 vehicles last year.

Paul Betts

COMMERCIAL VEHICLES 3

Italy

Market very scattered

One of Iveco's 13-tonners

IN COMPARISON with most of Western Europe, the Italian heavy road vehicle market remains highly fragmented. While 80 per cent of overland goods transport is carried by commercial vehicles, the total fleet is relatively aged and in the control of thousands of small operators, the *padroncini*.

Italy has a total of 210,000 transport companies, compared to 40,000 in West Germany, with each company averaging just 1.3 vehicles against averages elsewhere in Europe of six to nine.

Many operators are struggling to raise capital to renew their vehicles, 40 per cent of which are more than 10 years old. Some still cling to the hope that the Italian parliament will one day pass legislation, periodically promised and repromised, providing for a subsidised "scrap and purchase" commercial vehicle programme.

Any attempt to give an accurate account of the Italian commercial vehicles market is bedevilled by the absence of independent authoritative statistics. New vehicle registrations are compiled by the Italian Automobile Club but not made publicly available. Therefore, information has to be gleaned from the producers themselves.

As a result, the most reliable information is that provided by Fiat, whose Iveco subsidiary holds about 60 per cent of the national market for carriers above 3.5 tonnes.

Total sales of commercial vehicles in the first half of the year registered an increase of about 7 per cent, slightly below the full-year growth in deliveries in 1986.

Strongest demand has been for vehicles in the transporter division, where sales have risen by 8 per cent, followed by the top-weight road vehicles. The light and medium section has been under-performing the market with 4 per cent growth.

Of the 25,800 vehicles delivered, 15,210 or 59 per cent carried the Iveco badge, about 700 fewer than in the same period last year. Daimler Benz continues to occupy second place on the sales list with 2,010 deliveries and 7.8 per cent of the market, followed by RVI - the Renault subsidiary - with 930 units sold and 3.6 per cent of the market.

Ford of Europe totalled 851 and 3.3 per cent followed by Scania with 800 sales (3.1 per cent), Volvo with 515 (2 per cent) and MAN with 285 (1.1 per cent).

Iveco says its European sales have risen by 4 per cent in the first half of the year compared to the first half of 1986, if its new acquisitions of UK Ford and Italy's Astra are excluded. The increase rises to 18 per cent if they are included, to reach a total of 58,065 units.

The Fiat subsidiary claims that its Western European market share has risen from 17.1 to 18.8 per cent in the same period.

As last year, the company's growth has been totally dependent on Western Europe since sales volumes elsewhere are continuing to contract. Last year Iveco sales outside Western Europe slumped by 31 per cent to 22,385 vehicles owing to the steep fall in demand from oil-producing and developing countries.

An additional problem in the US was unexpectedly strong Japanese competition with Iveco models that prompted organisation and marketing changes which, the company says, are beginning to claw back lost ground this year.

Among the Iveco subsidiaries, Iveco Unic of France turned in a markedly improved performance last year after finishing 1985 in the red. The company achieved a net profit of FF235m, after FF53,9m of depreciation on sales revenues of FF3.723bn.

Iveco Fiat of Italy pushed up its sales by 4.5 per cent to L3,867bn and slightly raised profits from L89.7bn to L92.7bn after depreciation of L154.5bn and R and D amounting to 4.1 per cent of sales.

Iveco Magirus of Germany, meanwhile, raised its profits from DM31.2m to DM88.5m on sales of DM1.859bn. The parent company, Iveco BV-Holland, more than doubled earnings in 1986 by achieving a net profit, including the results of the subsidiaries, of Fl283.6m.

John Wyles

Production of major manufacturers

Trucks over 6 tons gross vehicle weight

	Producing Country	Production 1985	1986	+/- in %	1986 share in % of EG/EC	West-europe/ Western Europe	erfaßte Länder/ countries counted
1 Daimler-Benz		118,100	124,464	+ 5.4			14.0
Daimler-Benz AG	D	72,550	72,059	− 0.7	33.3	24.6	
Mercedes-Benz do Brasil	BR	21,211	27,268	+ 28.6			
Mercedes-Benz Argentina	RA	1,380	2,533	+ 83.6			
Freightliner	USA/CDN	20,947	20,564	− 1.8			
Sonstige		2,012	2,040				
2 Isuzu Motors	J	100,888	90,096	− 10.7			10.2
3 Ford		92,552	77,089	− 16.7			8.7
Ford Motor	USA	63,399	51,036	− 19.5			
Ford Motor	GB	17,146	13,966	− 18.5	6.5	4.8	
Ford Motor Brasil	BR	6,040	10,856	+ 79.7			
Ford Motor Argentina	RA	1,635	1,231	− 24.7			
4 Navistar International		69,026	67,914	− 1.6			7.7
Navistar International	USA/CDN	67,049	66,297	− 1.1			
Navistar International	AUS	1,977	1,617	− 18.2			
5 General Motors		79,618	63,382	− 20.4			7.1
General Motors	USA	55,912	47,586	− 14.9			
Bedford Commercial Vehicle	GB	13,418	7,401	− 44.8	3.4	2.5	
General Motors Brasil	BR	5,598	6,995	+ 25.0			
Daewoo Motor	ROK	1,200	1,400	+ 16.7			
6 Toyota		64,039	50,344	− 21.4			5.7
Toyota motor	J	2,676	2,014	− 24.7			
Hino Motors	J	61,363	48,330	− 21.2			
7 Volvo		42,665	44,967	+ 5.4			5.1
Volvo	S	31,457	33,839	+ 7.6		11.5	
Volvo-White-Truck	USA	11,208	11,128	− 0.7			
8 Fiat/IVECO		45,585	42,350	− 7.1	19.1	14.1	4.8
IVECO-Fiat	I	34,253	28,900	− 15.6			
IVECO-Magirus	D	10,441	12,475	+ 19.5			
9 Mitsubishi Motors	J	53,764	39,114	− 27.2	16.5	12.2	4.0
10 Renault		35,308	35,767	+ 1.3			
R.V.I.	F	29,161	30,244	+ 3.7			
Renault Vehiculos Industriales	E	2,595	2,987	+ 15.1			
Renault Truck Industries	GB	3,552	2,536	− 28.6			3.8
11 Nissan		35,763	33,982	− 5.0			3.8
Nissan Diesel Motor	J	34,071	30,988	− 9.1			
Motor Iberica	E	1,692	2,994	+ 77.0	1.4	1.0	
12 Telco	IND	36,709	29,671	− 19.2			3.3
13 Saab-Scania	S	22,729	25,515	+ 12.3		8.7	2.9
14 Paccar		26,744	25,020	− 6.4	0.2	0.2	2.8
Kenworth Truck	USA/CDN	12,850	12,646	− 1.6			
Peterbilt Motors	USA	11,322	10,282	− 9.2			
Mack (Renault Beteiligung 41.9%)	USA/CDN	28,422	20,946	− 26.3			2.4
MAN		16,446	18,022	+ 9.6		6.1	2.0
MAN AG	D	15,796	17,380	+ 10.0	8.0		
17 Volkswagen		14,209	17,452	+ 22.8			2.0
Volkswagen AG	D	2,222	2,380	+ 7.1	1.1	0.8	
17 Volkswagen do Brasil	BR	11,987	15,072	+ 25.7			
18 Rover		20,477	15,557	− 24.0	-		1.8
British Leyland	GB	13,693	9,907	− 27.6	4.6	3.4	
Ashok Leyland	IND	6,784	5,650	− 16.7			

Source: Daimler-Benz

West Germany

Over-capacity but mood is confident

WEST GERMANY'S truck manufacturers are looking less gloomy these days. Sales have picked up after a long period in the doldrums and neighbouring markets have become more buoyant, even though over-capacity remains a problem.

At Daimler-Benz, the timing of the upturn could not be better for Mr Helmut Werner, the former chairman of the Continental tyre company in Hanover. Mr Werner has just moved to Stuttgart to take charge of Daimler's commercial vehicle division, the biggest in Europe and the world's largest in vehicles over six tonnes.

If Mr Werner makes a success of the job, he will be well in line for the top management job at Daimler in the early 1990s. Until then, however, his task will be to ensure that the extensive rationalisation at Daimler, which has five commercial vehicle plants in Germany, continues to pay off.

At Iveco, too, the mood is more cheerful this year. The German end of this Fiat subsidiary, number two in Europe, has been through some painful restructuring in the past few years. Now, Iveco Magirus, based in Ulm to the south of Stuttgart, is experiencing rising sales and steady profits.

In the first half of 1987, new truck registrations in Germany showed a rise of nearly 10 per cent, according to the country's automobile industry association (VDA). Despite some weakening in the second six months, last year's total of 143,340 vehicles (a rise of 7 per cent on 1985) should still be exceeded slightly.

At Daimler, trucks now make up some 30 per cent of turnover, slightly more than last year, after the recent improvement at home and abroad. German and other European markets have all been more receptive. But the Middle East, previously a favourable market for big trucks, remains weak as a result of low oil prices.

For this year, Daimler is planning to keep total commercial vehicle output at its domestic plants at around last year's level of 145,000 units. Worldwide, including its plants in the US (Freightliner), Spain, Argentina, and Brazil, the aim is to build about 10,000 more vehicles for a total of more than 236,000.

Most of the non-German growth in output to 90,000 units is likely to come at Freightliner, Mercedes-Benz Espana, and Mercedes-Benz Argentina. The Brazilian subsidiary, which has doubled output in the past three years, is expected to maintain the high level of 1986.

Whether the business is profitable or not is harder to establish. Daimler does not separate out truck profits from the total. (Last year, the group earned net profits of DM1.8bn on turnover of DM65.5bn). Other companies in the industry reckon that Daimler has been losing heavily on its European truck operations, though the German concern says its total commercial vehicle division is in the black.

At Iveco, where earnings of the German operation nearly tripled last year to DM88m, the expectation is that total industry sales in Western Europe will exceed 400,000 vehicles over 3.5 tonnes for the first time since 1980. The first half of 1987 saw a near 15 per cent increase in new registrations to 210,000 vehicles.

In Germany, France and Italy, the combined increase was 12.5 per cent, with a 21 per cent rise for the rest of the European market. Among individual countries, Spain showed the biggest jump in registrations with 31.5 per cent, followed by France (17 per cent), Germany (14 per cent), Britain (10 per cent and Italy (7.5 per cent).

Iveco Magirus, formerly part of Kloeckner-Humboldt-Deutz, expects to turn in another profit this year, though earnings growth will not be as steep as last year. Production in 1986 went up from 10,600 vehicles to 12,800, with turnover approaching DM1.9bn. This year, output will total some 14,000, with a further 10 per cent rise planned in 1988 as capacity is expanded at Ulm.

The Ulm company's return on sales advanced smartly from less than 2 per cent to almost 5 per cent, a level which Mr Wolfgang Keller, the chairman of Iveco Magirus, hopes can be maintained. More than half of the German company's output is sold abroad, mostly through other Iveco subsidiaries.

Despite the recovery in demand, however, the industry still has a long way to go before returning to previous levels. As the VDA points out, the German industry last year turned out 286,000 lorries, buses and other heavy vehicles. In 1980, the figure was 358,000.

"The German commercial vehicle industry is still on a difficult track," the VDA says. Over-capacity remains a problem, with European plants that are no longer competitive kept going by subsidies.

Adding to the German industry's continuing problems is the strength of the D-mark, especially since important competitor countries like Sweden and the UK have experienced steep devaluations in recent years.

Andrew Fisher

Europe's CV production*

	Year 1986	% Share	Year 1985†	% Share	% Change
Germany	123,886	38.18	120,824	35.70	2.53
Sweden	59,350	18.29	54,186	16.01	9.53
UK	40,508	12.48	54,426	16.08	−25.57
Italy(1)	39,137	12.06	51,608	15.25	−24.16
France(1)	32,314	9.96	30,744	9.08	5.11
Spain(1)	15,153	4.67	13,595	4.02	11.46
Netherlands	14,126	4.35	13,098	3.87	7.85
Total	**324,474**	**100.00**	**338,481**	**100.00**	**−4.14**

Note: †1985 revised.
(1) 1985 now revised due to re-grouping of ICV sector.
*Over 3.5 tonnes; includes artics, excludes buses.

Source: Automotive Industry Data 1987 Yearbook.

Japan

A sharp increase in domestic sales

JAPAN'S COMMERCIAL vehicle industry is enjoying a brisk recovery this year following several flat or declining years. *Domestic sales have been rising sharply* and may be up as much as 24 per cent in the current fiscal year, to March 1988, according to a recent industry study.

The recovery is due mainly to the Japanese government's new emphasis on stimulating domestic demand, and it is a big help in offsetting continuing weakness in exports caused by the high value of the yen.

Exports of commercial vehicles were down 17.3 per cent in the six months to September this year, according to the Japan Automobile Manufacturers Association (JAMA), and they are even being affected by political considerations these days.

Nissan Diesel, one of the leading Japanese producers, recently gave up a contract to sell 100 large trucks to North Korea after the US Government expressed fears that the trucks would be used as rocket launchers. Other Japanese manufacturers agreed not to step in and take over the order.

The result is that production has bumped along at fairly low levels. However, there is also some prospect of recovery in overseas sales as well as the leading Japanese producers move quickly to strengthen their marketing and production links with overseas groups.

The Ministry of International Trade and Industry's truck production index has been above the 1980 base of 100 for most of the year, but it suddenly dropped to 89.4 in August.

But the real excitement is in the domestic market where unit sales showed increases in each of the first nine months of the year. In September, for example, they were up 10.6 per cent to *107,322* units, and most analysts expect continuing rises for the rest of the year.

"Truck demand has been firmly restored," Mr Tomio Futami, president of Hino Motors, said recently. And the prospect of a lot of major public works projects getting under way in Japan in the next few years suggests that he may well be right.

Commercial vehicle industry executives have been gloomy for so long that it was difficult for them to believe the improvement in their fortunes when it started *to appear* earlier this year. However, by midsummer the trends were clear, and they began to be more confident.

Most initial forecasts of truck (over 3.5 tonnes) output for the current fiscal year to March 31, 1988 were for sales of 115,000 units, which implied a continuation of the weak trend that has been under way since the record *217,000 units sold in 1979.*

The producers are moving quickly to strengthen their marketing and production links with overseas groups

However, Mr Isamu Kawai, president of Nissan Diesel, said in July that domestic sales this year could well go beyond 130,000 units. And early this month, the industry revised its forecast upwards again to 140,000 units, up 24 per cent from last year.

The latest government forecasts of corporate spending on plant and equipment will only reinforce the optimism. The Government's Economic Planning Agency said early this month that most companies were revising upwards their capital spending programmes in the light of the general economic recovery, and that capital spending by all industries could be up 7 per cent in the current fiscal year.

The indications of recovery have already appeared in some companies' financial statements. Hino Motors, the industry leader, has just reported a 32.2 per cent jump in profits in the six months to September 30 to Y3.9bn.

The company said the improvement was due to improved sales of trucks both at home and abroad. It said its total sales of trucks and buses reached 34,000 units, 8,000 more than in the first half of the previous year.

Sales of big trucks were particularly brisk, the company said, rising 30 per cent to 8,850 units. This reflects the impact of the Government's Y6,000bn emergency economic stimulation package passed in July.

Mitsubishi Motors (MMC), known for its Fuso heavy trucks, reported a similarly strong growth in sales of its trucks (over 1.5 tonne class) in the first half of its current fiscal year. Domestic sales, for example, were up *18* per cent to 43, 300 units while exports rose 27.8 per cent to 24,800 units.

MMC, like most of its competitors, has been busy arranging for production abroad. In September, it announced a tie-up with Daimler-Benz of West Germany, the world's largest producer of heavy trucks, under which the two companies would, among other things, begin a feasibility study on the production of MMC commercial vehicles at a Mercedes plant in Europe and introduce some Mercedes commercial vehicles and buses, T-1 Transporter, MB-N series, multi-purpose 4WD UNIMOG, large-size special tractor and super high decker bus 0303, into the Japanese market.

Mr Toyoo Tate, president of MMC, said in September that the new partnership with Daimler-Benz was "the third pillar" of MMC's global business strategy. The company already has co-operation agreements in cars with Chrysler of the US and Hyundai of South Korea.

Nissan Diesel has been broadening its links with Navistar in the US since establishing a marketing relationship in 1983. Initially, Nissan Diesel was simply supplying Navistar with medium-sized trucks. In a recent expansion of the arrangement, Nissan Diesel and Navistar will develop a new 7 tonne heavy duty truck for the US market, beginning next year.

The new truck will use Nissan Diesel's body and an engine developed from an existing Navistar model. In the initial stages, it will be manufactured in Japan, but once production reaches 3,000 units, production will be transferred to the US.

Ian Rodger

Japanese makers in the US

Sales effort spreading

JAPAN'S quartet of heavy truck producers first moved into the US market in 1984. Initial sights were set on class 5 to 7 trucks (7-15 tonnes GVW) where applications centre largely on inter-city deliveries.

These typically involve round trips of 300 to 500km per day and require only local service and support facilities.

The opening sales efforts were concentrated largely in the north-east corridor but representation is rapidly spreading to the West Coast with coverage of all major points between.

With this emergence of an interstate network, plans are in hand to extend market coverage upwards into the long-haul class 8 sector. Downrange, some are also weighing up opportunities in the lighter volume truck *market.*

All have suffered from the 40 per cent strengthening of the yen since early 1985. With 17 suppliers in the class 6-7 sector, the US market remains extremely congested and Japan faces stiff competition from not only domestic but also European suppliers.

The local producer GMC leads class 5 sales in the US, with Navistar heading sectors 6 and 7. The European supplier Iveco leads the importers in class 5 with Mack - in which Renault retains a 42 per cent holding - heading the class 6-7 importers.

Volvo and Daimler-Benz are active in these sectors and Paccar is moving down range from class 8 with new trucks sourced from Brazil.

Different strategies have been adopted by Japanese suppliers in the US market. While Hino moved early to establish a local assembly base at Jacksonville; the others held back.

While Isuzu and Nissan Diesel decided on a joint approach - with GM and Navistar respectively - both Hino *and Mitsubishi* have opted to go it alone. (When these joint supply arrangements are taken into account Japan's penetration of the US heavy truck sector rises to nearer 7 per cent).

At product level, efforts so far have concentrated exclusively on diesel-engined cab-over designs. From 36 per cent in 1980, *the diesel share of the US truck* market has risen to almost 50 per cent but this is the sector in which European rivals are most active and home producer Ford is also fielding a range of competitively-priced class 6-7 diesel cab-over trucks.

Hino was the first Japanese truck manufacturer to enter the US market. In 1984 it introduced its medium-duty trucks in five southern states and in the following year Hino Diesel Trucks (USA) was formed in a joint venture with Mitsui.

After earlier talks with Ford fell through, Hino agreed a deal in 1984 with Lisa Enterprises of Florida for initial assembly of 500 trucks in the 5-7 tonne payload range. *Output was planned* to move up rapidly to 1,500 units a year with cabs and chassis shipped in from Japan, but assembly was not cost-effective and this venture was terminated.

Hino has now spread across 48 states with a network of 86 independent dealers selling built-up imports. By March 1988 it is *planned to raise this to 125 dealers.* An overall target of 2,500 sales this year is to be raised to 5,000 by 1990.

The introduction of new models late last year took the importer into the class 5 market and a move up to class 8 now looks likely within the next two to three years. Before this, Hino's class 8 engines must be modified to meet US emission and noise control legislation, due to be further *tightened in 1991.*

Vehicle weights must be trimmed to increase payloads to a competitive level and all electrical systems must be switched from 24 to 12-volt circuits.

US long-haul operators who buy class 8 trucks are used to specifying different makes of engine and driveline making up *their completed* vehicles. *Hino* has recognised this and is already breaking away from its in-house tradition by offering optional Cummins engines on its class 6 trucks as well as Allison transmissions.

Under pressure from the yen, the importer is going for a high quality-high price niche in the US market. Hino has said that if there is any further weakening of the dollar it will look seriously at establishing a manufacturing presence in the US although it would prefer its sales base to rise to "several thousand units" before making such a move.

Mitsubishi Fuso Truck of America first tackled the US market in spring 1985. From three opening models in class 6 and 7 the importer added its FE *(class 3) range last January* and there are plans to ship in class 5 models beginning next January.

An earlier agreement has allocated distribution rights in the light truck sectors to shareholder Chrysler, but a move into class 8 is under consideration as the dealer network is expanded. Including category 3, Mitsubishi's truck sales were reported at 1,085 units over the first nine months of this year.

From a start in the eastern corridor, Mitsubishi is moving towards the West Coast with a *complement of 90 dealers.* Talks are already under way to enlist West Coast dealers and first appointments are expected by the end of the year. A target of 150 dealers has been set for late 1988.

With the rise of the yen, Mitsubishi is investigating opportunities to incorporate components from the US into its truck range and opportunities for a local assembly facilityare reported to be "under study."

In February 1984, Nissan Diesel America was set up in Dallas, Texas to begin exporting trucks to the US market. Other regional offices followed in Chicago, for the central US, the North East and the West Coast.

First exports of class 7 cab-over rigid trucks got under way in mid-1985. Rated at 13 tonnes GVW, these were supplemented by 15 tonne units in the following January with the later addition of class 7 tractors.

Best-seller of the current range is the CMA 83 (8 tonnes GVW) with applications as recovery vehicles, dump trucks, small refrigerated trucks and tankers for inter-city deliveries. The company's own Nissan Diesel engines may be matched with optional Eaton axles and Allison transmissions for the US market.

Full year sales are expected to reach 1,500 to 2,000 units and the addition of class 3 models (5 tonnes GVW) is scheduled for next summer with "baby" class 8 trucks expected *to follow.* An independent network of 190 dealers is being expanded to 220 outlets nationwide.

In October 1985, Nissan Diesel achieved an important breakthrough with agreement to supply International Harvester (now Navistar) with up to 3,000 mid-range diesel cab-over trucks annually.

These were designed to complement the Cargostar line and they are distributed as class 6-7 Navistar vehicles by the US company's 850 dealers. Deliveries began early last year.

Ian Robertson

Sales in the US

	1986	Jan-Aug 1987
Hino	1,038	1,227
Nissan Diesel*	724	1,095
Mitsubishi	n/a	442
Isuzu*	n/a	301
Japanese Total	2,250 (est)	3,065
Market Total	151,414	102,822
(Japanese Share %)	(1.5)	(3.0)

*Sales through own outlets only.

Truck industry of leading countries

over (6 tons gross vehicle weight)

	(units 000s) 1982	1983	1984	1985	1986¹)	Percentage changes on prior year 1982	1983	1984	1985	1986¹)
Western Europe										
Production	355	301	293	300	293	−3	−15	−3	+2	−2
Federal Republic of Germany²)										
New vehicle registrations	39	47	43	45	47	−18	+26	−7	+3	+5
Exports	109	66	60	56	55	+0	−27	−9	−6	−2
Production	151	111	101	101	105	−4	−16	−10	+1	+3
of which: Daimler-Benz AG	114	85	76	73	72	−2	−12	−11	−4	−1
France										
New vehicle registrations	38	39	40	34	39	+4	+1	+3	−15	+15
Exports	19	17	18	15	14	−19	−10	+7	−20	−5
Production	39	35	34	29	30	−7	−9	−3	−16	+5
United Kingdom										
New vehicle registrations	40	45	49	51	49	+1	+12	+7	+5	−4
Exports	32	21	16	16	14	−1	−34	−22	+2	−13
Production³)	60	49	48	52	38	+15	−18	−3	+9	−27
Italy										
New vehicle registrations	19	17	17	18	20	−35	−11	+1	+10	+6
Exports	15	19	19	21	21	−33	+27	−3	+11	−1
Production	24	30	28	34	29	−36	+23	−6	+22	−16
Sweden										
New vehicle registrations	5	5	5	6	5	−15	+5	+1	+17	−5
Exports	47	42	51	50	55	+7	−11	+22	−2	+11
Production	48	47	54	54	59	−2	−4	+15	+1	+9
Spain										
Exports	5	5	3	1	1	+92	−0	−34	−57	−20
Production	15	14	12	10	13	+29	−6	−18	−16	+34
Japan										
Exports	80	71	83	124	98	−23	−12	+18	+49	−21
Production	203	185	234	266	220	−9	−9	+27	+14	−17
U.S.										
New vehicle registrations	173	177	255	284	258	−20	+2	+44	+11	+9
Exports⁴)	12	4	3	3	3	−62	−63	−22	−21	−4
Production	158	168	272	258	228	−30	+6	+62	−5	−12
Brazil										
New vehicle registrations	41	34	42	55	70	−25	−16	+23	+30	+28
Production	34	26	36	51	68	−45	−24	+37	+44	+32
of which: Mercedes-Benz do Brasil	19	14	19	21	27	−39	−28	+37	+14	+29

1) 1986 figures partly estimated.
2) Kits destined for assembly abroad, from 1983 on, no longer included in total production.
3) 7 tons and above.
4) 6.35 tons and above (factory sales) including Canada.
Source: Daimler-Benz

Kenneth Gooding examines the results and prospects for Europe's leading manufacturers on this page and the next

Daimler-Benz

Stronger links with Japan

DAIMLER-BENZ, the world's largest producer of heavy trucks, is signalling a significant change of direction.

Across the whole spectrum of the group's commercial vehicle activities "we are looking at everything again," says Mr Jurgen Schrempp, who is responsible for sales in the new commercial vehicle division.

"Just because we said something was not feasible five years ago does not mean it still is not feasible."

The new approach follows a complete reorganisation of Daimler's management structure made necessary by a major acquisition programme which included diversification into aerospace (Dornier) and electronics (AEG).

In the past each member of the top management team has been responsible for both cars and trucks. However, as part of the new structure, a management team dedicated solely to the commercial vehicle business has been installed.

One of the first results of the change in style has been Daimler's determination to extensively widen its previously tenuous links with Mitsubishi of Japan.

The two companies are now talking about setting up a joint venture to develop and produce vans of all sizes with production in Spain as well as West Germany.

This potential combination of Mercedes with Mitsubishi, which uses the Fuso name on its trucks, is a formidable one and has upset Daimler's rivals who feel that the German group should have looked for a European partner rather than one from Japan.

The quid pro quo for Daimler, however, is that Mitsubishi would open up its strong car dealer network in Japan to Mercedes models and help distribute the German company's commercial vehicles in that country.

The decision to split the commercial vehicle operations away from those of cars is a very logical step. Dr Gerhard Liener, the management board member responsible for the commercial vehicle division immediately after the change, says, however, that the split was already under consideration because the group's sales of Mercedes cars and commercial vehicles world-wide had reached about DM 50bn a year and Daimler was "in danger of losing flexibility."

Another director, Ernst Goehring, deputy head of commercial vehicle research and development, says that divisionalisation is already having a beneficial impact - particularly by speeding up decisionmaking.

Dr Liener also points out that the two sides of the vehicles business are no longer in step reflecting the economic cycles.

Since 1980 the commercial vehicle operations have been gripped by recession whereas demand for Mercedes cars has risen strongly and steadily.

This is amply illustrated by the fact that last year cars accounted for 48 per cent of Daimler's total DM65.5bn turnover and the commercial vehicle operations for 27 per cent. In 1979-80 the positions were reversed.

However, Dr Liener stresses that the diversification into electronics and aerospace and other changes in no way signal a diminution of the importance with which Daimler views the commercial vehicle operations. "The commercial vehicle business is, and remains, one of the mainstays of our company. We are absolutely determined that this will remain the case in the future," he says.

Daimler has a truly global commercial vehicle business. There are five factories in West Germany (at Mannheim, Woerth, Gaggenau, Dusseldorf and Kassel) and production and assembly plants in Argentina, Brazil, Mexico, the US (where it owns the Freightliner company) South Africa, Nigeria, Spain, Turkey, Saudi-Arabia, Australia and Indonesia.

Last year the group's commercial vehicle output increased by 6 per cent to more than 226,000 and should increase again this year to about 235,000, still well below the peak 273,000 in 1980. Included in the 1986 total were 118,100 trucks over 6 tonnes gross weight, giving Daimler world leadership and putting it well ahead of Isuzu of Japan with 100,890 and Ford, 92,550.

The group has never separated, and probably never will, the financial results of the cars and commercial vehicle businesses. Daimler's rivals suggest it has been losing DM500m a year recently on its European heavy truck operations - a figure about which Dr Liener studiously avoids making any comment. He does insist, however, that the commercial vehicle division as a whole is profitable.

Dr Liener argues that Daimler has made its contribution to cutting excess truck production capacity in Western Europe "but in an almost invisible way" because much of the capacity has not been closed down but used instead by the group for car assembly and car components. This has prevented redundancies which otherwise would have been necessary.

Dr Liener points out that Daimler is in a better position than any other manufacturer to implement a global strategy for its commercial vehicle business.

"This may mean integrating individual locations into an internationally co-ordinated production structure in order to exploit the advantages of location, or it may mean serving particular markets with locally-developed vehicles oriented to the regional markets."

Picking up this theme, sales director Mr Schrempp says it might be possible, for example, for Daimler to integrate production in Brazil, Mexico and the US in some way.

Daimler produces about 6,000 vehicles a year in Argentina and 50,000 in Brazil. "Brazil is interesting not only as a market but also as a production site for supplying difficult export markets which we can no longer satisfactorily serve from Germany - for example the Far East and the US," Dr Liener says.

The group has also made plans which should allow it to hold on in Malaysia where it is the sole remaining European truck maker in an area dominated now by the Japanese.

There seem to be few sacred cows the group would not be willing to sacrifice. Even its dedication to vertical integration and the production of its own key components - such as engines, gearboxes and axles - is no longer sacrosanct.

Mr Schrempp says: "If we can't sell 100 per cent of a truck in a country but could sell 20 per cent of a truck and make bucks, in future we will take the 20 per cent."

Renault Vehicules Industriels

Cash injection

RENAULT Vehicules Industriels, the heavy truck part of the state-owned French group, is likely to make a small profit this year - the first time it has been in the black since it was formed from the merger of the Saviem and Berliez companies in 1974.

So Mr Philippe Gras, the tough new broom who took over as chairman early in 1985, is one year ahead of schedule in his recovery programme which envisaged break-even in 1988.

But he has had some help from the parent Renault group which imposed the break-even target. In June it pumped FFr2.8bn of fresh capital into RVI.

Most of the new cash has been used to reduce RVI's debts, thus saving an annual FFr200m in interest payments. But the company's debts remain high at more than FFr5bn.

Another FFr800m was a down payment on the 42 per cent of Mack Trucks of the US previously held by the parent Renault organisation.

At the same time, three of France's leading commercial banks are investing FFr 400m each in RVI, either in equity warrant bonds or in equity warrant secured loans.

Both types of instruments eventually will enable RVI to be floated on the French bourse in what has been described as a "partial privatisation" of the company.

When he announced the recapitalisation, Mr Raymond Levy, who took over as chairman of the Renault parent after the murder of his predecessor Mr Georges Besse a year ago, said it would restore RVI to a positive net worth.

He said he expected RVI, combined with Mack, to report pretax consolidated profits of at least FFr1bn a year during 1988 and 1989.

Mr Gras welcomes the investment by the three banks - Banque Nationale de Paris, Credit Lyonnais and Societe Generale - because "we want to be like any other company, quoted on the bourse." He believes the banks' involvement proves that RVI's projections of becoming profitable in the near future are reliable.

To those who criticise the French government for indirectly subsidising its national truck industry and propping up a moribund company, Mr Gras points out that at least RVI did not receive any hidden subsidies - everything was out in the open, unlike the situation in some other European countries.

At the beginning of the 1980s RVI had too many people, too many production sites, inventories were too large, the subsidiaries in Spain and the UK were losing too much money, and the company was making too many of its own components.

Urgent steps had been taken to change all this "but in France, because of the system then, it was not possible to fire 5,000 surplus people overnight."

Reshaping the group at a time when competitors attempted to take advantage of RVI's weakness to build up their share of the French truck market caused huge losses - over FFr1bn a year - and the company eventually had a negative net worth of FFr15bn to FFr20bn and needed the capital reconstruction.

Mr Gras believes it makes more sense for the Mack shareholding, first acquired in 1983 from the Signal Corporation, to rest with RVI than with the parent Renault group. It has a positive financial impact too.

RVI reported a consolidated net profit of FFr30m for the first half of this year. RVI and its subsidiaries suffered a loss of FFr50m (against one of FFr460m in the first half of 1986) while Mack contributed a profit of FFr80m.

Mr Gras says RVI should make more than FFr50m in the second half and Mack will continue to be profitable.

Mack has been going through its own rationalisaton programme including a move from an old-fashioned factory to a new one.

Renault said recently it wanted to take advantage of stock market weaknesses to increase its shareholding in the US company by 3 per cent.

In any case, Mr Gras says that RVI has every intention of taking control of Mack before the French group's ten-year option to do so runs out.

Before the capital injection, RVI was already making considerable progress towards break-even by way of its cost-cutting programme.

This continues and by the end of this year the workforce will have been reduced to 19,000 from 23,700 at the end of 1986. This followed a cut of 2,550 jobs in 1985.

The company has also been helped by better-than expected increases in vehicle production. In the first half RVI's output rose by 8.6 per cent to 24,720 vehicles and Mr Gras forecasts at least 43,000 for the full year compared with 41,300 in 1986.

Mack's first-half output rose from 7,025 to 8,120 and it should also beat the 1986 production of 21,000, he says.

Of RVI's two major subsidiaries, Spain will show a net profit this year, but Mr Gras does not expect the UK operations to break even until 1988.

Three years ago the Spanish subaidiary was in a financial mess. But the Spanish government provided money for a voluntary redundancy programme which cut the workforce by 500 to 2,000 to help the company along the road to recovery.

Some old-fashioned components used by the Spanish subsidiary, such as cabs for heavy trucks, are being replaced by modern ones supplied from France. In exchange the Spanish company is becoming the sole supplier of some components - such as crankshafts - to the whole RVI group.

As for the UK subsidiary, Renault Truck Industries, the recovery programme, inaugurated last September at a time when there was some doubt if the company had a future, is well ahead of schedule and the Dunstable-based concern has entered "a new, exciting phase in its history," according to Mr Francis Cousin, managing director.

He says RTI, the former Dodge Trucks company in which RVI has invested more than £100m since taking over in 1981, has since June, for the first time in its history, been producing a net profit.

Mr Cousin says the Dunstable factory is expected to make more than 5,700 trucks this year, up from 4,800 in 1986, and next year should see at least 6,000 produced.

RTI also is rapidly gaining acceptance as a UK-based truck producer.

RTI claims that its best-selling vehicles, the 50-series and the Commando models, have a 92 per cent and 95 per cent UK content respectively. This year RTI will buy £60m of materials and components from 900 UK suppliers.

RTI's net loss last year reached £10.8m on a turnover of £846m compared with a loss of £7.6m on sales totalling £730m in 1985.

Mr Cousin says RTI still has a long way to go but is well on course to make a net profit in 1989 according to the recovery plan agreed last autumn.

Scania

Reaping the benefits

SCANIA of Sweden is reaping the full benefits of the five-year, SKr10bn investment programme which enabled it to introduce a new range of trucks in the early 1980s.

The company this year will deliver a record 31,000 trucks to customers worldwide, beating the 1986 total of 25,300 by a handsome margin and expects another 5 per cent increase next year.

Mr Georg Karnsund, the chief executive, recently reported that Scania truck division's sales in the first eight months of this year were 19 per cent ahead of those for the same period in 1986 at SKr11.37bn.

This achievement is all the more considerable given the extremely difficult conditions which have prevailed for the past two years in Scania's biggest individual market - Brazil.

That country's attempts to stamp out rampant inflation with several price freezes has had a dire effect on the Brazilian motor industry. While the major, multi-national vehicle assembly groups have had to find ways of subsidising their subsidiaries in Brazil, many component suppliers have not been able to cope with steeply-rising costs at a time of frozen prices.

The component and materials supply system in Brazil consequently has been in a parlous state. Many component producers have simply refused to supply.

Vehicle assemblers have not been able to compensate by importing because this is not permitted by the Brazilian authorities.

Demand for heavy trucks in that country has been high as customers rushed to buy vehicles at unrealistically low, frozen prices. In more normal circumstances Scania would have expected to increase output and deliveries in Brazil substantially this year. However, the company now says the best it can hope for is to hold sales at last year's level: 4,

This will leave Brazil well ahead of the UK, where deliveries should be a little higher than the 1986 total of 2,493.

Last year marked the 20th anniversary of Scania trucks first going on sale in the UK. In that time the company has delivery more than 25,000 trucks to UK customers.

Scania's strategy has been to concentrate on the production only of heavy trucks at premium prices and, like its two main rivals, Daimler-Benz and Volvo, is an integrated vehicle manufacturer and makes all its own engines, gearboxes and axles so they are carefully matched.

The company has developed a modular system so that trucks can be built for various requirements using a limited range of components. With this system as a base, new models can subsequently be developed.

This system was applied in particular to the 92-series models Scania introduced at the end of 1984 to fill a gap in its range for higher-powered trucks and thus take advantage of a trend towards such vehicles in Western European markets.

The modular construction programme has also enabled Scania to develop heavy trucks particularly for the US. The company has come to the conclusion that it needs to have a solid foothold in the US, the world's largest single market for heavy trucks, if it is to prosper as an integrated truck producer.

However, whereas both Volvo and Daimler-Benz were able to acquire substantial existing businesses in the US (White and Freightliner respectively) Scania has had to build operations from scratch.

Efforts to find a suitable American partner so far have not produced results, so in May 1985 it began its own truck distribution venture in the US, assembling vehicles from imported parts at a site near its bus plant in Orange, Connecticut.

The company knows it will take a long time to make its mark with an unknown brand and integrated trucks in a market where the vast majority of customers prefer to nominate the engines, gearboxes and axles to be incorporated in their vehicles.

However, by the end of last year Scania had 14 dealers in the north-eastern part of the US and expects to end 1987 with 21. The company is offering seven different models in the US and last year delivered 155. "We anticipate a gradual increase in volume in 1987," says Mr Claes Toren, Scania's export director.

The dealers are spread throughout an area from the Canadian border, south to Virginia and west through Ohio to Indiana. Scania is identifying niches where its trucks can be used in a relatively confined geographic area such as local haulage, beverages, petroleum, scrap iron, quarries and particularly users who are not in haulage but need trucks as tools for local operations.

Scania last year also continued to expand its international organisation by inaugurating a new import centre outside Madrid in Spain, a country which offers great potential now that it is part of the European Community.

Three years ago, to prepare the way, Scania acquired its Spanish import company since when the number of dealers has doubled. Last year Scania truck deliveries in Spain jumped to 650, an increase of more than 300 per cent.

Europe as a whole accounted for 71 per cent of Scania's truck deliveries last year (down from 73 per cent in 1985) South America 20 per cent (17 per cent) and other markets 9 per cent (10 per cent).

Capital expenditure last year rose sharply from SKr 683m to SKr 903m but plants for the development and production of car petrol engines and gearboxes for the sister Saab company absorbed SKr 182m (SKr 97m) of the total.

Developments included the expansion of the workshop at Gothenburg where manual gearboxes are manufactured.

In an effort to stimulate individual responsibility and develop technical skills, Scania is organising production in Sweden so that each manufacturing unit will be responsible for complete sections of components.

As part of this development, assembly of rear axles was transfered from Sodertalje, the headquarters site, to Falum where a complete axle workshop is being established. Scania has established a truck cab plant at Oskarshamn, a vehicle frame centre in Lulea and the component facilities are in Sodertalje.

Daf

More growth expected

DAF TRUCKS of the Netherlands today is twice the size it was a year ago but is confidently expecting further substantial growth.

According to Mr Aart van der Padt, chairman of Daf's management board, the company's truck sales will increase at an annual rate of 4 to 5 per cent from about 30,000 this year.

Output at its newly-acquired Freight Rover van facilities eventually should rise to between 40,000 and 50,000 vehicles a year compared with about 20,000 in 1987, once a new Sherpa van range has been launched, he says.

All this follows the most momentous changes in Daf's long and turbulent history.

In April the company acquired Leyland Trucks and Freight Rover from the UK government which accepted in exchange a 40 per cent shareholding in the enlarged Daf group.

From being one of Western Europe's smaller truck companies, Daf emerged as a group with a turnover of well over £1bn a year and ranked fifth in European truck sales behind Daimler-Benz, Iveco, RVI and Volvo.

The merger brought a company employing 9,300 people in the Netherlands and Belgium together with one with a workforce of 6,500 in the UK.

To make Leyland Trucks a saleable company, the UK government took responsibility for another major rationalisation programme which cost about £300m.

This is seen by the Government as good value for money because it has swapped a company which until recently was losing £1.5m a week for a minority shareholding in a group which has been profitable from day one.

The Leyland rationalisation involved the closure of the Scammell factory at Watford and the loss of another 2,600 Leyland jobs: 1,400 at the engine and foundry facilities in Lancashire; nearly 600 at Scammell and 184 at the Albion axle plant in Glasgow.

The links between Daf and Leyland go back many years but had been reinforced in 1986 when the Netherlands company chose to use Leyland's Roadrunner light trucks and Freight Rover vans - in preference of those being offered by Mitsubishi of Japan - to expand the range offered by Daf's dealer network in continental European markets.

Paccar, the Peterbilt and Kenworth truck group of the US which owns Foden in the UK, was also in the running to buy Leyland but Daf won the day.

Since April Daf has acted fast to reorganise its operations in the UK. It has consolidated the 22 former Daf dealers and 56 Leyland truck dealers into a 57-strong Leyland Daf network, working swiftly to cut short the uncertainties such a programme involves.

Those uncertainties were expected to cause a temporary drop in the combined Leyland and Daf truck sales in the UK. But this did not happen, mainly because potential buyers of Leyland trucks feel the company's future is now more secure.

For some time it was obvious its previous parent, the state-owned Rover group, was desperate to sell Leyland Trucks. Before Daf came on the scene there were long negotiations with General Motors which hoped to merge Leyland with its Bedford subsidiary in Britain.

Leyland Daf has therefore been able to command about 25 per cent of the UK heavy truck market (over 3.5 tonnes gross weight) and is battling for leadership with Iveco Ford Truck.

Mr van der Padt says Leyland Daf has secured "a dominant position at the top of the hard-fought UK truck market and, although there may be occasional monthly fluctuations, we will stay at the top in the future."

The sales success and relatively buoyant demand in the UK market has enabled Daf to boost production at Leyland's Lancashire facilities from 41 trucks a day in April to 56 a day.

This output increase has helped towards a 10 per cent improvement in productivity on the Leyland assembly lines, an improvement also achieved by the adoption of working practices that are more flexible.

Mr van der Padt believes that, although much has been achieved, it will take about three years for the organisational changes in the UK to be completed - including the switch of most of Scammell's production to Leyland - and five years before the group has a single, homogeneous truck range.

The merger with Leyland has taken the Daf management to full stretch because Daf was already committed to launching this year a new heavy truck range, the 95-series, as well as starting the continental sales of light trucks and heavy vans.

Further problems have been created because truck demand has remained high in most European markets and this has left the Daf factories in the Netherlands and Belgium working at near capacity.

Mr van der Padt says he obviously would prefer to complete the reorganisation in the UK against this upbeat background, and points out that any future increase in production will mainly have to be met by the Leyland factory.

Since the merger much work has been done on the Leyland factory's future. Two options emerged and are currently being considered. The first was to concentrate all right-hand drive production in the UK and the other was to concentrate the build of some truck "families" in Britain.

Daf will invest about £150m in the UK in the first five years after the merger, but more than half will go towards developing a new van range to replace the current Sherpa models.

In comparison with major rivals such as Daimler-Benz, with a worldwide output approaching 200,000 a year and Iveco with an annual production of 100,000 vehicles, Daf remains a relatively small company and Mr van der Padt says it will be as active as ever in seeking cooperative ventures.

Daf hopes to find a partner or partners to share in the new van project. Among the companies already interested is Enasa, the state-owned Pegaso truck and bus company of Spain.

Enasa and Daf already have a joint venture, Cabtech, which developed and produces the heavy truck cab launched by both companies this year - by Daf on the 95-series trucks.

Daf remains a private company but at the time of the Leyland merger it stated its intention of gaining a stock market flotation in Amsterdam and London in two or three years.

This would enable the UK government, which owns 40 per cent of the Netherlands company via the Rover group, to quit truckmaking for good.

The rest of the Daf shares are held by Daf Beheer, a company set up specially to hold the 60 per cent stake.

Iveco

UK move paying off

THE CALCULATED risk taken by Iveco, the Fiat-owned group, in effectively assuming control of Ford's medium and heavy truck operations in the UK, seems to be paying off handsomely.

Mr Giorgio Garuzzo, Iveco's managing director, says the group will lift net profit by at least 20 per cent this year after more than doubling profit between 1985 and 1986.

All Iveco's production companies - Magirus in West Germany, Unic in France and those in Italy - are profitable "and the profit is increasing."

The new Iveco Ford Truck company in the UK, in which Iveco and Ford each have a 48 per cent shareholding but Iveco has management control and responsibility for future products, has performed better than anticipated and its 1987 loss, if any, will be small.

Iveco was already Western Europe's second-largest heavy truck company with production facilities in three of the major markets before adding the UK to the list last year.

The company had been expecting a period of consolidation after going through an almost continuous rationalisation process since 1979 when it was first set up. Production facilities in three countries had to be reorganised during the worst recession in the European truck industry since the war.

But the opportunity to move into Britain as a major truck producer was just too tempting.

Last month Iveco seized another once-in-a-lifetime opportunity, one the management thought too good to miss. A controlling stake in Ashok Leyland, India's second-largest truck and bus producer, was put up for sale by the UK's Rover Group.

Iveco joined forces with Hinduja family, one of the most successful but controversial non-resident Indian entrepreneurial families, to buy Rover's 39 per cent shareholding in Ashok and 51 per cent of the associated Indian company, Ennore Foundries, for about £28m.

Ashok has an output of about 16,000 vehicles a year and 30 per cent of the Indian truck and bus market, holding second place to Telco, part of the Tata group. Ashok has technical links with Hino, the Toyota-dominated Japanese heavy truck company - but the betting must be that in time Iveco will take over this role.

The deal, when completed, will give Iveco something its major rival Daimler-Benz so far has only dreamed about - a substantial foothold in India's truck and bus market.

This latest opportunistic move by Iveco follows close behind its emergence as a major force in the UK.

The new UK company, Iveco Ford Truck, started in June 1986 with paid-up capital of £40m, most of which was spent to acquire Ford's factory at Langley where the Cargo truck range is produced.

In the first six months Iveco Ford's losses reached £22m, caused by three main factors:

- The one-off expense of setting up the joint venture;
- The write-off of capital expenditure associated with the introduction of Rockwell axles instead of those previously made by Ford for the Cargo range;
- The fact that Ford retained all finished stocks of Cargo trucks at the time of the takeover and therefore collected the revenue from their sale, rather than Iveco Ford. Consequently, Iveco Ford's £48m turnover in the half-year was generated from fewer than 40 per cent of the Ford trucks registered in the period.

To cover the opening losses, the two partners have injected another £25m of cash.

This year, in an expansion fueled by the generally buoyant European demand for trucks, the rate of output at Langley has been raised four times - from 50 trucks a day just before the merger progressively to 76 a day - and new employees taken on for the first time since 1979.

The factory has also benefited from an aggressive sales and marketing programme by Iveco Ford which has seen the company launch 19 new trucks or significantly different versions of existing vehicles since June 1986, about half of them additions to the Cargo range.

Consequently, Iveco Ford has increased its share of every sector of the UK truck market this year and after nine months had leadership of the total heavy truck market (over 3.5 tonnes gross weight) with 10,200 registrations, ahead of Leyland Daf with 9,935.

Langley is working overtime and its output is now expected to reach 14,800 vehicles this year compared with 11,995 in 1986.

Mr Garuzzo says he is now more confident that Iveco Ford can maintain truck production facilities in Britain when the time comes to change the present range of Cargo models sometime in the 1990s.

Iveco itself received new capital this year. The Amsterdam-registered group was given Fl650m (about $325m) by Fiat.

Mr Garuzzo says this is an indication of the importance Fiat attributes to the commercial vehicle sector in its strategic plans for balanced growth.

The new money will be used to enable Iveco to continue a high level of investment. He estimates capital investment this year will jump by between 50 and 100 per cent from Fl261m in 1986.

The investment is aimed entirely at improvements in quality and productivity, not capacity increases, Mr Garuzzo insists.

Iveco's research and development spending - written off against annual profits - will increase by 25 per cent from the Fl331m last year.

Iveco, with its loss-making period behind it, did not need the new capital to restore its balance sheet to health. In 1986 Iveco reported a net profit more than doubled from Fl120m in 1985 to Fl284m and paid its first-ever dividend, amounting to Fl80m. Turnover was unchanged at Fl9bn.

Iveco's production of vehicles over 3.5 tonnes gross (excluding the Cargo range) fell last year by 3.6 per cent to 94,200 because an improvement in European demand was not enough to offset the sharp downturn in the markets outside Europe.

The company is one of the world's major producers of diesel engines and last year turned out 266,000 - a 3.9 per cent increase on 1985 - while output of forklift trucks rose by 9 per cent to 5,530.

Mr Garuzzo expects Iveco's total truck sales to increase by between 4,000 and 5,000 vehicles this year.

Volvo has taken advantage of a weak market

Powerful push into the US

VOLVO Truck Corporation of Sweden has twice taken advantage of the weakness of domestic producers in the US to drive determinedly into that market which is so important to its global ambitions.

As a result, the company has become the second-largest producer of heavy trucks in the world, with a forecast output of vehicles over 16 tonnes gross weight this year of 52,000 compared with the 72,000 predicted for Daimler-Benz, the Mercedes group, and Navistar's third-place 36,000.

All this has happened very quickly. In 1981 Volvo paid $75m for the assets of the bankrupt White Motor in the US, including three factories (in Virginia, Ohio and Utah) and then spent another $75m to put the White organisation back into shape.

Then this year Volvo agreed to take over the US heavy truck operations of General Motors, the world's biggest automotive group.

Volvo takes full responsibility for the combined company, called Volvo GM Truck Corporation - in which it has a 76 per cent shareholding - from January 1 next year.

The importance of this latest aggressive move cannot be overestimated. Volvo Truck "is pursuing the clearest and boldest strategy of any truck manufacturer in the world. Its intended position 15 years from now, and the path via which it intends to reach it, has been plainly laid down," says Mr John Lawson, an assistant director at the Nomura Research Institute in London and one of the best-respected observers of the industry.

"The accelerated commitment to the US market raises the stakes for Volvo's competitors who have yet to declare a strategy of globalisation," he adds.

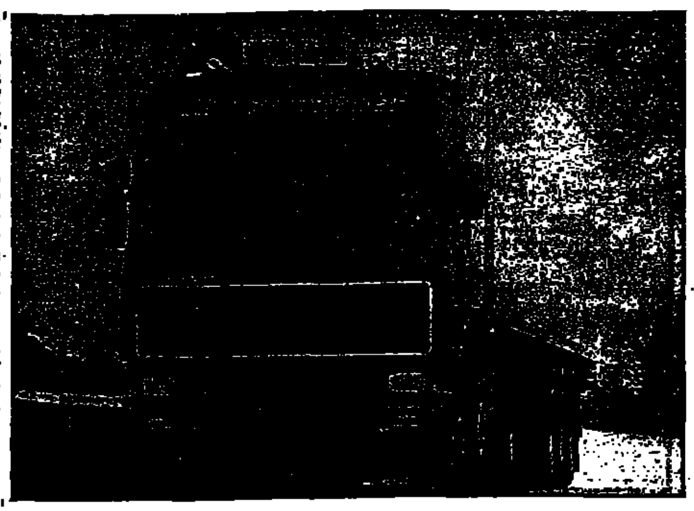
Mr Lawson also predicts that Volvo will not repeat what its management sees as errors of past mergers by procrastinating on the unification of product ranges. "Volvo, White and GM products will move rapidly (that is within three to four years) together, although the two resulting ranges will still offer customers a choice between the European integrated truck concept and the customary US practice of specification of proprietary components."

Behind Volvo Truck's push into the US is its implicit belief that it must produce all the key elements in a truck's driveline (engine, gearbox, axles) "because that makes for a better, more effective truck."

On the other hand, Mr Sten Langenius, president of Volvo Truck, suggests: "There is no way an integrated producer can be viable without a presence both in the US and Europe to spread the development costs over bigger volumes of output."

However, he admits it will take a long time to reap full rewards. "Only in the long term will we be able to introduce Volvo components to US trucks. It might take eight to ten years. It might take forever."

In the meantime, Volvo now has an extremely viable business in North America - even if most of the trucks use other companies' components.



Volvo's F16; following a path laid down

GM joined with Volvo because it was unwilling to put up the money to replace its ageing, 12-year-old American heavy truck range in view of the expected low rate of growth in demand it expects in the States for the foreseeable future.

The merger gives the new joint-venture company a potential US heavy truck market share of 17 per cent - although Mr Langenius expects penetration to drop back initially because management will have to give so much attention to the reorganisation.

Last year Volvo sold 12,820 trucks in the US of which 11,200 were built there. GM produced and sold about 10,000 heavy (Class 8) trucks.

Mr Langenius announced last month that Volvo GM Truck will spend about $100m to reorganise production in the US. In essence this will centralise production, moving capacity from GM's truck facilities at Pontiac, Michigan, to the Orville, Ohio, facility, now a cab assembly plant, which will be expanded to assemble GMC Brigadier trucks - the only salvageable model from the GM range.

Most of the investment will be spent at the existing main plant at New River Valley in Virginia, and associated warehousing. There will also be a facility to handle 2,000 imports.

Mr Langenius says that in the long term the capacity at Volvo's existing plants will be doubled from the current 12,000 a year but, as a first step, capacity will be lifted by between 20 and 25 per cent. But no decision has been made yet about the timing of the closure of heavy truck operations at GM's Pontiac plant.

Volvo GM has selected about 240 dealers from the combined network of 520. About 140 of that number will sell Volvo GM trucks exclusively, representing a significant strengthening of Volvo's US network - it previously had only about 60 exclusive dealers.

As normal in the US, the selection of dealers has left some of those dropped from the franchise feeling bitter and threatening to take Volvo and GM to court. In any event, some compensation will have to be paid to those dealers who have been dropped but Mr Langenius insists that for Volvo "this won't be too expensive." The bulk of the outlay will be required to buy back stocks of trucks and spare parts.

Sales of Volvo trucks in the US have fallen marginally so far this year but partly this was caused by shortages of supply of some popular White models, and also because vehicles have been diverted to Canada where GM dealers have started to sell Volvo trucks in the initial phase of a separate Volvo-GM joint venture in that country.

From virtually no sales at all, Volvo expects to sell 1,000 trucks in Canada this year.

Mr Langenius says that, contrary to some rumours, the joint-venture company will probably keep the Autocar Trucks name that Volvo acquired with White's assets, "because it is a good name in the US."

Looking at Volvo Truck's total operations, Mr Langenius says that its plants in Europe and the US are currently working at full capacity. This will more than compensate for the effects of a 25 per cent drop in demand in Australia and Brazil and the almost total absence of sales in the Middle East.

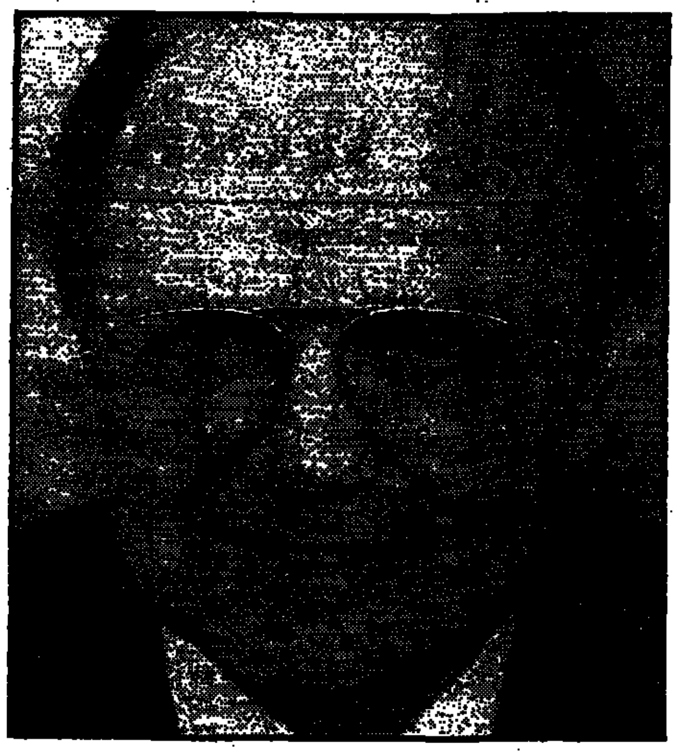
He estimates Volvo is likely to produce worldwide at least 2,000 more trucks this year than the 44,400 in 1986 (figures which exclude the GM heavies).

Of the 1986 total, Volvo assembled 14,100 Volvo trucks in Sweden; 12,800 in Belgium; 11,200 in the US and 6,300 in other countries.

Mr Langenius remains optimistic about the group's financial performance. "Over the past five years we have taken many aggressive decisions. We have to see some results of this in our profit."

Volvo Truck will certainly improve on last year's operating profit of SKr1.07bn, he predicts.

Kenneth Gooding



Wilfried Lochte: seeking a breakout

MAN

Better, if not yet in shape

MAN Commercial Vehicles, West Germany's second-largest heavy truck producer, has made a remarkable recovery from the financial crisis into which it plunged in the early 1980s. But "we still have a long way to go until our group as a whole is in a shape which we want to see it tackle the 1990s," says Mr Wilfried Lochte, chairman of the executive board.

"In the past three years we have been able only to just about break even and still have not succeeded in a clear and lasting earnings breakout," he complains.

The group has completed a reorganisation of its production facilities, which involved a 25 per cent cut in the workforce, or 6,000 jobs, to 17,500, and is now concentrating its sales efforts almost entirely on Western European markets.

In MAN CV's latest financial year - to the end of June - no fewer than 94.3 per cent of its total vehicle deliveries, or 21,510, were to West European markets.

This was the highest total achieved in Europe since MAN started to produce commercial vehicles and compared with 88.1 per cent of deliveries (19,258) in the previous 12 months.

But MAN CV is still haunted by unexpected problems in territories outside Europe. Its initial difficulties stemmed mainly from a decision by Iraq to cancel without warning an order for 1,000 heavy trucks, most of them already built because of the tight original delivery date. They were not ordinary production models and were unsaleable in Europe. MAN had to dispose of them at well below cost.

At the same time MAN CV, in common with the rest of the industry, faced a recession caused by the steep drop in demand from the oil-producing countries and a halving of European sales between 1980 and 1982.

But MAN CV acted quickly and the reorganisation has cut the break-even level of output to 15,000 - a level to which the company's production dropped only once in the past 12 years.

MAN CV's truck production rose from 16,060 to 19,295 in the financial year to end-June, including 3,720 of the vehicles produced jointly with Volkswagen (1,040 in the previous 12 months).

So in normal circumstances the company should have been reasonably profitable. However, it suffered extraordinary losses totalling DM 60m in two overseas markets in the financial year.

This prevented MAN CV's bottom line reaching much more than break-even and it could not improve on the DM 5.66m net income for 1985-86, Mr Lochte says.

Detailed financial results will be given by the parent MAN group next month but it is already clear that the extraordinary write-offs for overseas operations are behind the company, he says. There will be a "noticeable improvement" in the results for the current financial year.

The two major overseas problem areas are Turkey and the US. Mr Lochte says demand in the truck market in Turkey, where MAN CV has invested in three plants, collapsed by almost half overnight.

The situation was not helped by the lack of demand from Iran and Iraq, two territories which MAN CV supplies from Turkey where wage rates are one tenth of those in West Germany.

In the US, where MAN CV has a bus assembly plant at Cleveland, North Carolina, the company won a $65m contract to supply more than 400 city buses to Chicago and began to prepare for production.

But the federal authority refused to authorise the essential financial support for the Chicago Transit Authority and the order was cancelled at the last moment.

At present the bus plant employs 300, is producing one bus a day compared with the capacity of four a day. However, an order for 107 city buses from St Paul, Minnesota, has been placed and recently received the necessary federal approval.

MAN CV has for the time being shelved a scheme to assemble and sell the VW-MAN joint venture medium trucks in the US - the D-mark-dollar relationship does not make that a viable proposition. But it has a small toehold for its truck technology in the States because it is to supply General Motors, the world's largest automotive group, with technology and components for high-mobility military vehicles.

It also has a joint-venture to produce truck axles with Eaton and as part of the deal the American company will distribute MAN CV's axles in the US.

Mr Lochte hopes to sign more cooperative ventures in future, essential for a company of MAN CV's size he believes.

It has been equally essential to swing MAN CV's main sales and marketing thrust away from markets in the Middle East, once the company's main export territory, and Africa and towards Europe.

The reorganisation of MAN CV has taken place at various levels. The company's fall into losses - DM 477m in the two years to June 1984 - convinced its parent, GHH, the major West German engineering group, that a tighter grip was needed. So GHH swapped a 75 per cent shareholding in the MAN parent group for full control.

The truck and bus operations were then split off as a separate, wholly-owned subsidiary.

The new MAN CV company is in the final stages of rationalising its production facilities. In Austria the Graf and Stift subsidiary will close its Florisdorf factory at the begining of next year and concentrate all bus and truck assembly at a new factory at Liesing, near Vienna.

MAN CV has taken over from another MAN company the pressings plant at Gustavsburg, complete with its 1,000 employees, which will offer frame parts and sheet metal components to outside customers as well as providing them for MAN vehicles.

Another change has seen all production of the 6 to 10-tonne trucks developed jointly by VW and MAN CV moved to MAN's Salzgitter factory. Previously, output was split between Salzgitter and VW's Hanover plant.

Output of the joint-venture vehicles, which so far have proved a disappointment to both partners, will be boosted in coming years by a deal with Enasa, the state-owned Pegaso group of Spain.

MAN CV believes it can sell between 1,000 and 1,500 a year in Spain, some through its own import company and about 600 with Pegaso badges on them. Enasa has estimated that ultimately demand for the trucks in Spain could reach 2,000. However, Mr Lochte says there are no immediate plans to have the joint-venture vehicles assembled in Spain.

MAN CV has also completed the reorganisation of its distribution arrangements throughout Europe. In West Germany and Austria it controls distribution and also has many company-owned sales and service outlets backed by independent, authorised service centres.

In the other West European countries, MAN either controls its own import companies or uses the local Volkswagen importer.

This gives MAN 800 sales and service points throughout Western Europe and it aims eventually for 1,000. Heavy spending on the distribution network will continue for some years.

This is on top of capital expenditure running at DM130m a year and a similar amount for research and development, a "normal" level of spending which the group must maintain.

Mr Lochte forecasts that MAN's vehicle sales in the 1987-88 financial year will reach 23,000, including 5,000 of the joint-venture MAN-VW medium trucks, 16,000 heavy trucks and 2,000 buses.

He says: "We expect to increase production, turnover and keep the plants fully employed for the third successive year."

Kenneth Gooding

Manufacturers are working hard to make the driver's life easier, says **Alan Bunting**

Technology taking away the arm and leg work

HEAVY TRUCKS, like cars, are becoming easier to drive. Technology is taking away progressively more of the physical effort of driving vehicles which, for everyday haulage operation, can now have an all-up weight of 38 *tonnes.*

Power-steering, compressed air braking and servo-assisted clutch are long-established features which, with increasing permitted weights, have become indispensable. In the last two or three years truck manufacturers' efforts to eliminate further the chores of driving, on ever more congested roads and where delivery scheduling is ever more critical, have taken a new direction.

Acknowledging the need for every driver to remain alert to possible hazards arising on the road ahead of *him*, truck designers have striven to eliminate those driving functions which distract as well as create fatigue.

Gearchanging ergonomics in particular have come in for close study. Most imported trucks have synchromesh gearboxes *which simplify gearchanging,* in that the clutch pedal need be depressed only once for each shift. ZF from Germany is the main supplier, though Volvo and Scania from Sweden and Renault from France produce their own in-house designs.

Eliminating those distractions

Unfortunately the synchromesh mechanism increases gear-lever effort considerably. Adding servo assistance alone to reduce shift effort is not realistic because it would invite abuse, and gearbox durability would suffer, though Volvo and ZF in particular have refined synchroniser design to minimise the effort the driver has to exert with his left arm.

Most British-built heavy trucks have simpler constant-mesh gearboxes of essentially American design, from Eaton or Spicer, on which lever effort is minimal, but which demand a greater level of familiarity and skill from the driver.

Double-declutching is necessary, for some downchanges at least, though it must be said that, with experience, most drivers are able to make upchanges, and even some downshifts, without using the clutch at all.

Electronics are now coming to the driver's aid in reducing the chore of gearchanging. Through the use of a microcomputer and rotational speed sensors on the input and output sides of the otherwise standard gearbox, fully-powered gearshifting is feasible without risk of excessive wear or damage to either the clutch or the gearbox.

Scania was the first manufacturer to offer such a system, known as CAG (computer-aided gearchanging) to be followed by ZF, Eaton and Mercedes-Benz. All are based on the same concept though with differing emphases and electronic refinement.

Eaton's SAMT system, for example, eliminates use of the clutch pedal except for starting away. Its "black box" sends instructions to the accelerator dur*ing downshifts to raise engine* speed so that the speed synchronisation needed for a smooth change is achieved more rapidly.

I have driven SAMT-equipped MAD and ERF heavy trucks at 38 and 40 tonnes gross. Both had a small spring-return finger-tip flick switch in place of the usual hefty gear lever, so that arm as well as leg exertion is all but eliminated.

Mercedes' EPS (electro-pneumatic shift) system, applied as it *happens to a proprietary* ZF 16-speed gearbox, employs the same principles, using compressed air power - readily available on all heavy trucks from the brake system - to do the work, but under the safeguard of electronic control.

When I drove an EPS-fitted Mercedes 16445 38-tonner recently I found the system - standard on top Mercs - more acceptable than some of its rivals to those drivers apprehensive about getting to grips with gadgetry.

The change switch is made to look like a normal gearstick, though for up and down-changes it is moved simply backwards and forwards. And the clutch pedal is used normally for all shifts.

Scania's CAG system is very similar, though the change lever has no pretensions to be other than a switch; and the Swedish company adopts a different marketing approach, offering CAG as an extra-cost option right across its range of trucks and buses.

ZF's powershift developments have yet to be adopted for commercial sale, though MAN has done a lot of work on prototype installations and plans to make easyshifting available to those buyers who opt for ZF in preference to Eaton gearboxes.

Ironically, most of the development to cut gearchange effort has been at the heavy end of the truck weight spectrum; vehicles are for the most part covering long distances, typically on motorways. Once on the move, gearchanges are few and far between.

Much more fruitful applications would be found on lighter trucks - those employed in urban distribution, where delivery patterns and traffic congestion involve frequent use of the gear-lever and clutch.

Unfortunately, buyers of distribution vehicles are far more price-sensitive than the average 38-tonne artic user. The on-cost of any form of automatic or semi-automatic transmission is proportionately greater and is harder to justify for, say, supermarket distribution work.

The brutal truth is that in spite of plusher and more ergonomically-designed cabs, which come as standard, fleet operators remain reluctant to pay for extras when the prime beneficiary is the driver.

Another way to cut the gear-shifting element in drivers' fatigue is to reduce the frequency of ratio changing. Engines with more horsepower and torque bring performance flexibility at lower rotational speed. Downchanges can be postponed longer on rising gradients or in thickening traffic.

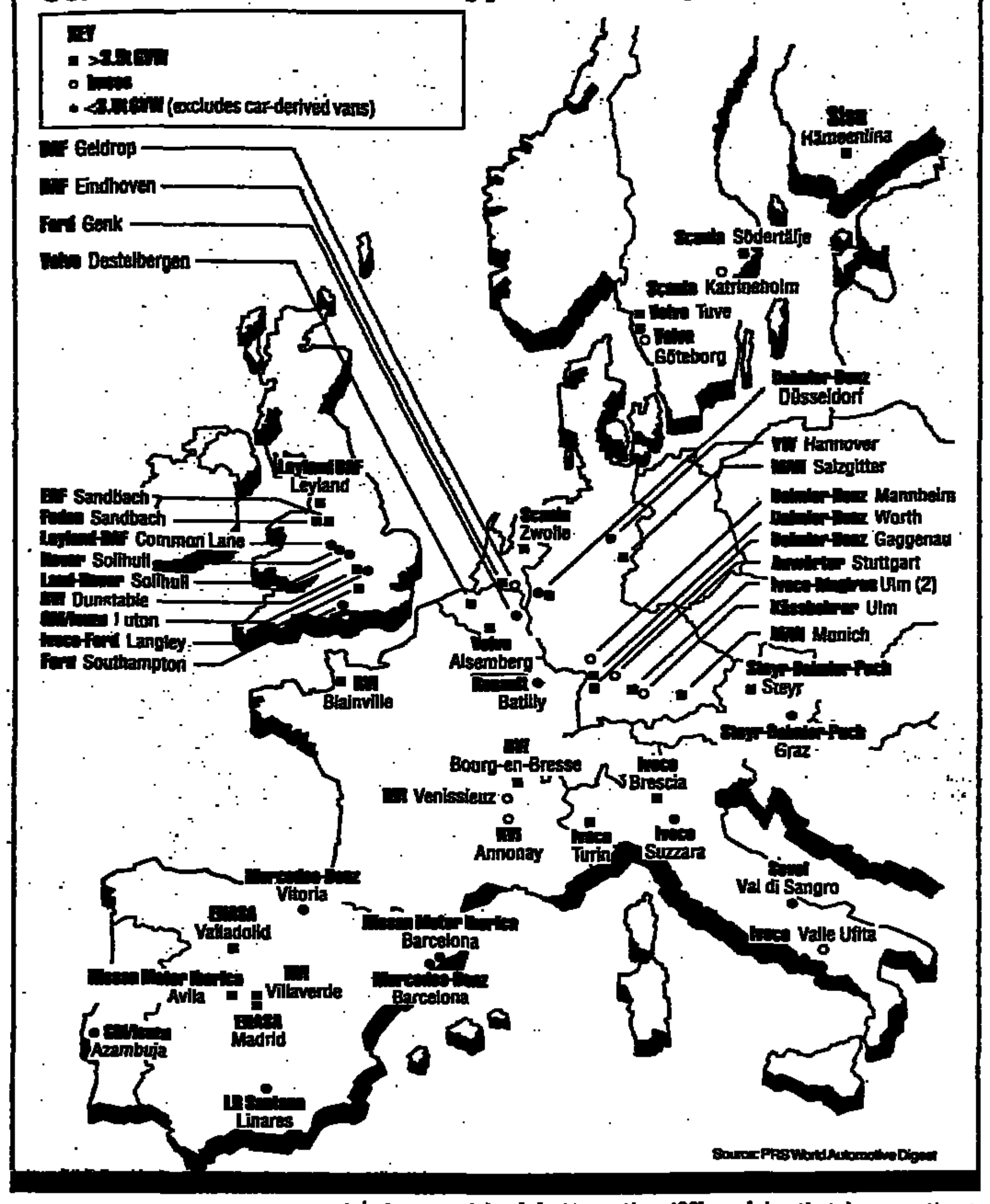
The ranks of truck manufacturers offering engines of more than 400 horsepower in 38-tonne chassis were joined last month by Volvo, whose new F16 range of chassis boasts the most powerful truck diesel yet seen on the British market. Its 16 litres capacity produces over 450bhp, overtaking Mercedes, at 435hp, Scania at 420hp and Fiat-Iveco at about 405hp.

Rivals like DAF and MAN, whose biggest available power units fall short of the "magic" 400hp, claim that journey times and productivity do not, in practice, because of legal speed limits and traffic considerations, benefit from such excessive power.

It cannot be denied however that the easy "loping" performance conferred by the latest, massively-powerful engines contributes benefits for the driver which stand alongside those of easy-shift transmissions.

Above: a Foden 4000 tanker. Below: the effort-saving cab of Leyland's TX450 concept truck - pointing the way to the future

Commercial vehicle assembly plants in Europe



SECTION IV

FINANCIAL TIMES SURVEY

The government of President Chiang Ching-kuo (above) has ended 38 years of martial law

CONTENTS

A decade's economic development has brought affluence and increased contact with advanced nations, writes **Bob King**. Political reforms since the end of martial law are likely to continue, while the lifting of the ban on visits to China may lead to open trade or even investment there.

Challenging the giant

THE OLDEST Chinese classic, the I Ching, insists that change is the natural order of the universe. If so, then Taiwan today is well in tune with heaven.

For just over a year, major reforms in the political, economic, financial, trade, and social realms have held centre stage, and there are no signs that the tide of reform will ebb in the near future. If anything, reforms *are likely to accelerate.*

While changes are occurring right across the spectrum, political reforms are commanding most of the attention. In July, the government of president Chiang Ching-kuo ended 38 years of martial law, and in the process lifted a ban on the formation of new political parties.

Last month Mr Chiang's government also moved to defuse tension with arch-rival China by permitting visits there by Taiwan residents, and by giving the first formal approval to indirect trade with the mainland.

Such actions stand out in contrast to past practices. While much of the world has in the past few decades turned its back on the Nationalist government in Taipei, and instead recognised Peking as the legitimate ruler of all China, Taiwan has refused to budge from its claim to sovereignty over the mainland. It has insisted on having no dealings or contacts with China, and said the threat of invasion or subversion by the mainland justified continuing martial law.

That tended to isolate the island internationally, however, and to a large extent slowed its political evolution. Even just a few years ago, people outside Taiwan were apt to dismiss the *country as just another dictator*ship propped up by US-support. The Nationalist Party was willing to sacrifice its international image in return for the image of legitimacy such a stance provided at home.

Instead, the government concentrated on developing Taiwan's economy and increasing its citizens' material well-being. In the late 1960s, Taiwan started to crank up its export industries, and in the mid-1970s, Mr Chiang, then premier, lent his weight to a series of legal and infrastructural reforms to facilitate this emerging opportunity for economic development.

Changes began coming even faster with Mr Chiang's election as president in 1978, and were only temporarily side-tracked in 1978 by the US's recognition of the People's Republic as the sole ruler of all of China. The US almost immediately established the American Institute in Taiwan (AIT), to handle unofficially affairs previously undertaken by its embassy, and eased fears that Washington, to further its rela*tions with Peking, was prepared* to let Taiwan go down the drain.

Economic development has accelerated during this decade. Exports have increased yearly, and the country's annual trade surpluses have brought foreign-exchange reserves to nearly US$70bn, the third-highest in the world after Japan and West Germany. The Taipei skyline is now marked by cosmopolitan high-rises amid the hodge-podge of architecture of previous decades, and the Taiwanese have amassed cars, video players and apartments and fat savings accounts.

But affluence and increased contact with advanced nations also made the Taiwanese aware of conditions in other countries, *and ensured that the days of* stringent controls on politics and personal expression were numbered. Increasingly, the politically-minded chafed at the restrictions imposed by martial law. They also sought a more rational approach to the question of communist China.

The continuance in power of the Nationalist Party, composed *at top levels of people who had* fled the mainland with Mr Chiang Kai-shek in 1949, brought political and economic stability. But the Party's monopoly on power also created tensions between the ruling elite and the politically-minded native-born, who, according to many estimates, make up four-fifths of the population

*Martial law prohibited the for*mation of new political parties to challenge Nationalist rule, and in any event parliament and the national assembly were stacked by ageing Nationalist partisans elected on the mainland in 1947 - who cannot be replaced until free elections can be held in their constituencies on the mainland. Taiwan's opposition moved *quickly once the Government* had announced its intention to end martial law a year ago. A group of prominent oppositionists quickly announced that they had formed the Democratic Progressive Party, and the Government quietly overlooked its technical illegality.

All of a sudden, previously taboo subjects are out in the open. *Opposition parliamentarians* openly harangue the Government over the so-called "ten-thousand-year parliament" and official policy on contacts with mainland China. The opposition has taken to the streets in mostly non-violent protests on a number of occasions - which only a year before would probably have invited a severe crackdown by the *authorities. The formal lifting of* the martial decrees took place on July 15 of this year.

Then, last month, the Government took perhaps its biggest step in 40 years: it decided to end a ban on visits to China by *Taiwan residents. By so doing, it* left itself open to suggestions that it was abandoning its long-held policy of "no contacts, no negotiations and no compromise" with the Chinese communist regime. The Government solved that dilemma, at least on paper, by stating that the visits were for "humanitarian" purposes - allowing exiles to visit families *they had not seen since 1949;* and by barring from the programme active-duty servicemen, civil servants, and anyone without immediate relatives in China.

Verbal mumbo-jumbo aside, however, it is clear that the decision to allow visits, as well as the recent formal approvals given to indirect trade with China, *mark an obvious shift in Tai*wan's stance regarding the communist regime.

That is not to say, however, that Taiwan is cosying up to Peking for an early unification on communist terms. Indeed, the common wisdom on Taiwan indicates just the opposite: the powers-that-be have decided to enlarge their programme of Tai*wan-as-showcase beyond the* mere trappings of material well-being and mouthings of democracy into a substantial challenge to Peking. "This is what you must provide for the billion people of China before we can talk about unification," Taipei is saying.

Despite diplomatic ties with only 23 countries, Taiwan still *functions as an independent na*tion, with no dependency on China other than the occasional Chinese trade plums that fall into its lap through Hong Kong and other entrepots.

But this is where the picture obscures: western values and logic do not necessarily apply, and the Taiwan authorities remain vociferously opposed to independence for the island, whatever its substantive status in the world. Pragmatic reasons for this stance abound: Peking has stated, for instance, that a move toward independence by Taiwan would cause it to use force against the island; locals fear that foreign nations, out of deference to Peking, would refuseto recognise "the Republic of Taiwan"; and the Nationalist government, whose *raison d'etre* remains its claim to unifying China under its own terms, would lose credibility - and power.

Viewed in these terms, Taiwan is in for continued reforms across a wide spectrum and in a relatively-short period. It seems clear, for instance, that Taipei will not be able to limit visits to *China to simply those* ageing partisans who came over with the remnants of the Nationalist government in 1949. Nor should it wish to; behind the stated "humanitarian" intent lies the awareness that visits to China by a broad spectrum of Taiwanese society will bring the message to the mainland that a Chinese alternative to "socialism with Chi*nese characteristics" is alive and* well in Taiwan. Such visits will also serve to reinforce the Nationalist Party's status on Taiwan, because visitors to China will be able to view at first hand the enormous disparity in the quality of life between the two sides of the Taiwan Straits.

The Government may even tacitly approve more direct trade *deals or even investments in Chi*na, despite its current formal prohibitions. Again, such arrangements could bind the mainland more closely to Taiwan's developmental path, and in the process serve as a natural market for Taiwanese manufactured goods, an inexpensive processing centre for lower-end products, and a source of basic materials that resource-poor Taiwan lacks.

On the home front, political diversification will also continue. Already, the Democratic Progressive Party, however small in the number of elected representatives it can claim, is often called on to consult with the majority Nationalist Party over pending legislation and policies.

A splinter group of the DPP *also recently formed the Labour* Party, nominally aimed at advancing the rights of workers. In all, Taiwan will probably evolve into a multi-party state similar to, say, West Germany, rather than a two-party configuration such as that in the US.

Political parties aside, the Taiwan-born, rather than the Nationalist partisans who accompanied the government into exile 38 years ago, increasingly dominate government posts. These native-born people lack the emotional attachment to China that still marks their mainland-born colleagues.

Mr Chiang, who began the process of "Taiwanisation" - bringing more native Taiwanese into key government positions while he was premier - has, for instance, confirmed as his successor vice-president Lee Teng-huei, a Taiwan-born agricultural economist. A clear-cut succession is necessary to ensure that the programme of Mr Chiang, who at 77 has long been ailing, will continue unhindered.

Trade

Currency moves fail to reduce surplus

THIS HAS been a frustrating year for Taiwan in its efforts to reduce its trade surplus with the US, which is now the second largest such surplus after that of Japan.

Even according to Taiwan's conservative statistics, the surplus last year hit a record US$13.6bn. In its wake, the Government of President Chiang Ching-kuo has been moving to open up the economy to imported goods and services and to revalue the new Taiwan dollar.

But despite a currency appreciation of over 25 per cent in the past two years, and progressive moves to reduce tariffs, the bilateral trade surplus has continued to grow.

In the first nine months of this year it reached a record $12.5bn as exports grew 28.6 per cent to $17.7bn. Imports grew at a faster 34.6 per cent clip but from a very low base which produced a total of only $5.2bn. US figures, meanwhile put last year's total at $15.6bn, implying that it could reach $20bn this year.

The result has been a considerable embarrassment to the Government, which claims it has done more than most other Asian countries to correct its trade imbalance.

Last month the Government announced further tariff cuts averaging over 50 per cent on 3,534 separate products, ranging from anti-pollution equipment to footwear.

"We have done much more than South Korea," says Mr Augustine Wu, Deputy Director of the Board of Foreign Trade. Economists estimate that, once implemented, these cuts will reduce the average nominal tariff to 13 per cent from 19 per cent.

There are a number of reasons why the measures taken so far have failed to work their way through, they add. Despite the lower tariffs, the economy is still slewed towards exporting, with tariff rebates for re-exported components and widespread import-licensing requirements.

Other factors include accelerated buying by US importers, fearful of further currency appreciation, as well as hedging by exporters of foreign currency revenues in the forward foreign exchange market and some temporary switching of orders from South Korea during the labour unrest there earlier this year

Fairly soon some of these factors will disappear, and by the turn of the year, according to Economy Minister T H Lee, the surplus could be on a declining trend.

For the time being, the consensus in Taipei is that US bilateral pressure on trade has eased off, despite the increased surplus. Negotiation now focuses on specific technicalities rather than broad issues of market access. Taiwan had always hoped that the pressure would ease as it opened its markets to imports and allowed its currency to appreciate.

Some in Taipei now argue that further appreciation of the New Taiwan Dollar would simply erode the competitive position in which US exporters to Taiwan now find themselves compared with their counterparts in Japan. With its large $69bn holdings of foreign reserves, Taiwan's hand is also stronger than it was.

Though government officials decline to make such threats explicitly, both sides know that most of these reserves are placed in dollars with US banks and in US Government instruments. The reserves are now so large that US financial markets could face substantial volatility if Taiwan ever decided to switch systematically out of the dollar.

Throughout Taiwan's trade policy runs a strong thread of bilateralism. Mr Wu unashamedly admits that Japanese firms are not allowed to bid for public sector contracts, and imports of Japanese cars are restricted. Now Taiwan is also courting Europe in an attempt to reduce its dependancy on the US.

Taiwanese exporters have traditionally neglected Europe in the past, but two-way trade has now begun to grow in the wake of the appreciation of the local currency. Last month the Government sent its first major buying mission to Europe with orders worth $1.2bn in its pocket. Imports from Europe, mostly of luxury cars and fashionwear, have begun to grow rapidly. Those from Britain have doubled this year, albeit from a very small base.

Mr Wu points out that this is in stark contrast to the behaviour of US exporters, few of whom, he says, show much real interest in selling to Taiwan. This adds to the fear locally that US trade pressure on Taiwan may resurface as the Administration in Washington seeks to deflect protectionist trade legislation now being debated by Congress.

The US still has a number of items on its shopping list, notably liberalisation of Taiwan's heavily protected farm sector.

It has successfully managed to prise open the market in several service sectors, such as fast food and insurance, and has won concessions for foreign banks. These are now allowed two branches in Taiwan instead of just one.

Yet Washington also wants further measures to open the financial sector to foreign competition, such as the right for US banks to set up local credit card operations. It is also seeking to close loopholes in the local copyright and patent law as well as to liberalise cargo-handling services at Taiwan's main port of Kaohsiung.

One fear is that the US may try to reinforce these demands by threatening to reduce or eliminate trade concessions granted to Taiwan under its generalised system of preferences. Further strong upward pressure on the New Taiwan dollar may become inevitable if the trade figures do not improve.

So far Taiwanese exporters have surprised everybody with their resilience and adaptability in the face of appreciation, but no one denies that at some point the limit of tolerance will have been reached, with severe consequences for an economy that is dependant on exports for half its output.

One reason why the Government has been willing to acquiesce so readily in market-opening measures and in currency appreciation has been its own recognition of the need to drain excessive liquidity from the banking system and to promote industrial restructuring after years during which the currency was seriously undervalued.

Officials in Taipei are inclined privately to sneer at US residents who "drive Japanese cars and buy counterfeit Rolex watches". But such harsh words belie the fact that failure to turn the surplus round is as much of an embarrassment to Taiwan as it is to the US.

Peter Montagnon

Shops testify to Taiwan's prosperity, but the economic climate may change

The economy

Reliance on exports cannot last

TO A CASUAL observer of the Taiwan economic scene, it must appear as though this is a country where the good times go on for ever.

For the second year in a row, real growth in 1987 is expected to reach about 11 per cent. Per capita gross national product is forecast to rise to US$5,000, putting Taiwan in the top league for living standards in Asia outside Japan.

Yet these glowing results mask the fact that the structure of Taiwan's economy remains seriously distorted. Most local economists believe the country is poised to undergo a painful restructuring to reduce its dependence on exports that will bring inflation, and possibly even recession, in its wake.

For the moment it is hard to imagine such a scenario for a country where manufacturing is booming, where foreign exchange reserves at $69bn are exceeded only by those of Japan and where inflation is almost non-existent. Consumer prices rose by just one per cent in the year to August, while wholesale prices actually fell by 0.5 per cent.

Lurking close to the surface, however, are pressures which could change all this. Taiwan's economy is vulnerable through its still heavy reliance on exports which make up about half its GNP. Its banking system is awash with liquidity - the key M1B money supply has been growing at an annual rate of over 40 per cent - which, coupled with the boom in stock market and real estate values, could translate sooner or later into steep upward pressure on prices.

Taiwan – Key Economic Statistics

	1984	1985	1986
Real growth (%)	10.5	5.1	10.8
Consumer price inflation	0	−0.2	0.7
Exports (US$bn)	30.5	30.7	39.8
Imports (US$bn)	22.0	20.1	24.2
Trade surplus	8.5	10.6	15.6
Industrial production (increase in %)	12.2	1.4	14.9

Source: Taiwan Government.

Indeed, Taiwan has been lucky that these problems have not come to the fore already. Appreciation of the New Taiwan Dollar by more than 25 per cent over the past two years has had only a limited effect on export competitiveness because it has also reduced the price of imported raw materials, while exporters have been able to hedge against the effect of currency movements in the forward foreign exchange market.

Similarly, low import prices and tariff reductions have helped keep inflation at bay. Though wage costs have risen sharply, unit labour costs have been held down by increased efficiency.

Most economists believe, however, that it is only a matter of time before these temporary advantages slip away, forcing Taiwan to confront its fundamental economic problem. According to Dr Chen Sun, President of the National Taiwan University and a noted economist, today's heavy dependence on exports is unsustainable over the medium term.

Shifting to a more balanced economy with greater emphasis on domestic consumption will be politically difficult, however, and may not be possible without severe economic dislocation and recession.

Evidence abounds on the streets of Taipei that Taiwan is finally shaking off the siege-economy mentality that has dominated habits since its foundation.

Foreign cars, mostly European models, are appearing in large numbers. Smart, marble-fronted fashion boutiques are appearing in the city's otherwise rather dingy neighbourhoods. Consumers are clearly taking advantage of the easing of restrictions on imports.

In a psychologically important move, the Government also decided this summer to lift exchange controls, so that individuals are now allowed to invest $5m abroad each year.

Yet Dr Sun believes that all this will have only a marginal impact on the economy. Taiwan's real problem, he says, is the stark differential between its 40 per cent savings rate and its investment rate which is only half as high.

Balanced growth in the economy would call for these two rates to begin converging. Yet this is hard to see, given the magnitude of the numbers involved. Taiwan's trade surplus, which Mr T H Lee, the Economy Minister, says will be $20bn this year and decline only to $18bn in 1988, makes up 20 per cent of GNP.

In relative terms, the adjustment facing Taiwan is thus far greater than that confronting Japan. Looking at the trade surplus, Dr Sun says bluntly:"I don't see how we can spend all this money on consumption or investment within two or three years." At the very least, he continues, it will require a major shift of resources away from the private sector and into the hands of the Government. Many people in Taiwan would welcome such a change if it meant increased government spending to improve the quality of life, reduce pollution and enhance welfare and education services.

Yet the government of President Chiang Ching-Kuo remains deeply averse to deficit spending which might have inflationary consequences. Mr Lee says it is prepared to run a deficit on capital account, but not where current spending is concerned.

"Finding the money is not a problem; the problem is how quickly can we start up projects," he says. Complications over land acquisition and Taiwan's traditionally cumbersome budgetary planning process mean that most infrastructure projects take a long time to get under way.

Moreover, Mr Lee insists that improved welfare programmes are not desirable. "It's easy to start social benefit programmes, but once begun there is no way to cut them back." Taiwan's aversion to budget deficits means that higher government spending would eventually also imply an increase in the current very low personal taxation rates. "I see very few people who propose that the Government should have more resources for that purpose," Dr Sun says.

This, then, is the dilemma facing Taiwan. On the one hand it must reduce the economy's vulnerability to recession and protectionism in the US, which would curtail its export activity. On the other, it cannot easily do so quickly, and certainly not without risking inflation and economic dislocation as domestic industries such as construction are favoured at the expense of exporters.

General assumptions are that growth will begin to drop next year as these problems become prominent. Even the almost indomitable optimism of the Taiwanese is now tinged with a degree of unease.

Mr Robert Parker, a US trade lawyer based in Tapei, says: "There's enormous inherent strength in this economy. It absorbs blows that many people think are going to cripple it. Time after time it demonstrates an extraordinary resilience, but the danger is to assume that, given this resilience, it can absorb any blow."

Peter Montagnon

The Government wants the people to invest abroad... the people are reluctant

Market drop may spur outflows

TAIWAN'S DIFFICULTY in managing its international capital flows is a good example of the old rule that things never seem to happen in precisely the way that governments would like.

Taiwan wants its citizens to begin investing more abroad. Unfortunately they - and foreign investors too - have until recently been more beguiled by what is happening at home.

After much soul-searching, the Government finally decided in July to lift foreign exchange controls and allow individuals to remit remit up to US$5m abroad for investment purposes each year. The hope was that an orderly outflow of investment would drain the domestic economy of excessive inflationary liquidity and slow the embarrassing rate at which the Central Bank had been accumulating foreign exchange reserves.

In the event, the response has been minimal. Taiwanese investors have not been rushing to send their funds abroad, and reserves have continued to grow, reaching $68bn as of mid-October.

Bankers say there are three main reasons why this has happened. The first is that expectations of continued local currency appreciation have deterred individuals from sending money abroad. The second is cultural: there are very few institutional investors in Taiwan, and individuals lack the experience and ability to invest overseas. Third, appropriate channels for them to do so are still lacking even if they wanted to.

Taiwan's new-found wealth has attracted investment bankers to Taipei like bees round a honey pot. Among the latest arrivals this autumn was Shearson Lehman. W.I.Carr and James Capel are planning to join the throng, but even long-established houses like Jardine Fleming are still not allowed to handle customer accounts. All they can do is offer investment advice.

Eventually, in line with a long-awaited revision of the local securities law, this will change. But some bankers expect that they will be forced to set up joint ventures with local securities companies before they can become fully operational. Mr Philip Fang, of Taiwan's Securities and Exchange Commission, says reciprocal access for local firms to foreign markets may also be a condition.

Four trust companies - International Investment Trust, Kwang Hua Securities, National Securities and China Securities - which already run small inward funds for foreign investors are meanwhile seeking authorisation to launch outward funds as well.

They are, however, expected to be limited to US$40m apiece, a drop in the ocean compared with the potential ouflow. In the absence of further development of trust business, Mr Fang believes that local investors will continue to show only limited interest.

Seeking advice from a stranger, as local investors now have to do when dealing with foreign investment banks, is alien to the Chinese character, he says. "They simply don't believe someone else's ability to make decisions for them."

Some bankers in Taipei speculate that the Government may not be entirely unhappy with the slow response to the lifting of foreign exchange controls. Up till the last, many in government were ambivalent about what was regarded as a momentous decision.

It represents a fundamental break with Taiwan's inward-looking financial past, and there was considerable nervousness ahead of the decision about its impact on financial markets.

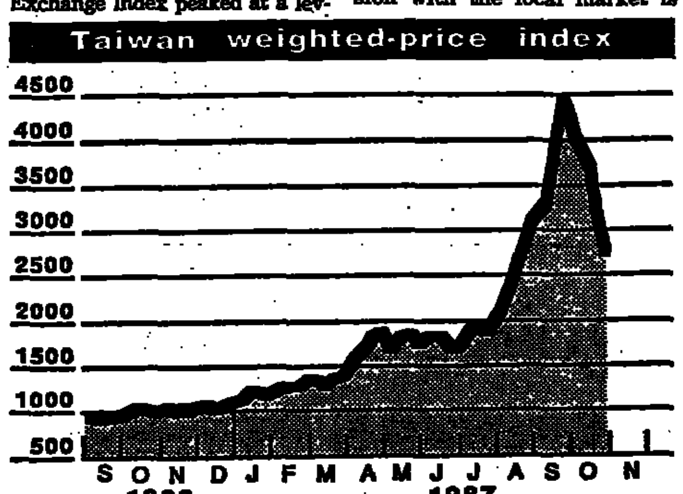
The fact that further institutional, as well as cultural, change is needed before the move begins to bite may help both the Government and the marketplace to absorb reform more gradually.

In any case, local investors found the local stock market much more interesting at least until it began to fall last month along with other world markets. Though only just over 130 stocks are actually listed, turnover has generally this autumn exceeded that of Hong Kong and Singapore combined. The Taipei Stock Exchange Index peaked at a level of 4,673.14 on October 1 and subsequently nose-dived by some 2,000 points, although it remains nearly three times its level at the start of the year.

Banknotes stacked safely behind a Taipei bank counter. But many people's savings may soon nest abroad

In the wake of the fall there is now some doubt about the previous general assumption that the underlying trend was still upwards. Demand for Taiwanese stocks has been driven, above all, by excess liquidity in the banking system and that has not changed despite the collapse on Wall Street.

Local brokers confess to a degree of bafflement over where the market may be headed next. There is no sign yet that disillusion with the local market is prompting an outflow of funds, and in any case there are few attractive international opportunities availuable to investors at the moment.



However, some believe that a period of stock market stagnation, coupled with some stability in local currency markets, might encourage investors to begin looking abroad, which in turn would produce the moderate outflow of funds for which the Government has been looking.

The lack of sophistication of the local investing community remains a dominant characteristic of the market. Mr David Hsu, of Jardine Fleming, says individual investors, who make up the bulk of buyers, "just buy any stocks. They don't even know the name."

This makes the stock exchange vulnerable to rumour and panic, of the kind that forced October's dramatic decline in the index. Some argue that the 5 per cent daily limit on price movements only makes matters worse, because it leads to the conspicuous accumulation of unsatisfied orders.

Moreover, generally low accounting standards and the fact that many listed companies are still basically family-controlled lay the market open to abuse. Mr Fang says it is very difficult to obtain a conviction on insider trading. Some bankers say the SEC itself is understaffed and still relatively inexperienced.

According to Mr Benny Hu, President of China Securities and a former senior executive of Bankers Trust in the US, the stock market has never really been regarded by Taiwanese business concerns as a source of long term capital.

Businessmen raise their own capital through savings or bank borrowing and turn to the financial markets only for their short-term needs. This explains why the stock market is underdeveloped in contrast to the more sophisticated markets for bankers' acceptances, commercial paper and certificates of deposit.

Also, he adds that local investors are only just waking up to the difference between savings and properly-managed investment. "We're not used to the risk/return concept yet," and too often investors still talk in terms of guaranteed return.

The Government appears to be having more success in promoting two-way direct investment flows. Mr M Y Lee, Deputy Director of the Industrial Development and Investment Centre, says the Government is keen to promote both inward and outward direct investment, "to secure markets, technology, resources and so that we can upgrade our products."

So far the outflow is still hesitant. Only one company, the elctronics concern Tatung, which has a plant in Telford,in the UK, has invested in Europe, for example. But expectations are growing that the pace will quicken rapidly following the lifting of restrictions this summer. Inward investment, which totalled US$844m during the first eight months, compared with $700m for the whole of 1986, is already rising strongly.

The gap, therefore, lies in the domestic financial market. Most bankers agree that Taiwan needs an efficient capital market that can handle local as well as international investment needs smoothly if it is to build on its industrial success. Its people will have to learn to become investors and exporters of capital rather than just manufacturers and exporters of goods.

For most societies this is normally a lengthy process, but in Taiwan's case the problem is that the wealth to create such a market is already there. Its financial planners know they have to steer through a revolution in practical and cultural attitudes to investment. But given the present archaic structure of the market and the inexperience of its users, they also know they have to keep it under control.

Peter Montagnon

Banking

A strong push for reform

FEW PLACES, it seems, are immune from the winds of change in banking these days. Taiwan, where pressure for a new universal banking structure is growing apace, is certainly no exception

In part such pressure is the inevitable result of the failure of the banking system to keep pace so far with Taiwan's dramatic development as an industrial economy. In part it is simply the echo of reform taking place elsewhere. Together these factors have combined to produce a strong push for reform.

According to Dr Kuo-Shu Liang, Chairman of the Chang Hwa Commercial Bank, Taiwan is already reasonably well advanced in the deregulation of interest rates. Now he says the time has come for institutional change as well, to break down the old divisions between commercial and investment banking and broaden the market for all institutions

Mr Edward Chien, Executive Vice-president of the Hua Nan Commercial Bank, adds emphatically: "All institutions are looking to widen the scope of their business. The government is looking forward to lowering the fences. We are going to see more liberalisation because that is the trend." A major catalyst for banking reform has been the presence of 33 foreign banks in Taiwan, which as a group have been seeking so-called national treatment from the Taiwanese authorities. National treatment would put them on the same regulatory footing as local institutions

In practice this boils down to freedom to open more branches in Taiwan. At present foreign banks can have only one branch in Tapei and another in the southern port of Kaohsiung. They also want to run credit card operations, an easing of capital and loan/asset requirements, and, most important of all, the freedom to open trust and savings departments. This would bring with it entitlement to engage in term lending in the real estate market with a maturity longer than the presently prescribed limit of seven years

The whole question of banking reform has been taken up by US trade negotiators as part of their attempt to open up Taiwan's services sector to foreign competition, but according to Mr James Vaughn of American Express Bank, "we are not trying to apply pressure through the US trade negotiators." Reform of the banking system is an inevitable consequence of the lifting of exchange controls this summer, he says

Parallel to the pressure on the foreign banks have come similar demands for change from the local banking community itself. Only five Taiwanese banks are licensed to run trust operations. Others are applying to do the same. Trust companies want more freedom to take deposits from the public, and foreign investment banks want full trust licences

But while the demands are clear, the response of the authorities is shrouded in uncertainty. No one knows for sure what is permitted and what is not, and for foreign banks in particular it has become a question of feeling their way gingerly with the authorities. Says Mr John Brinsden of Standard Chartered: "The rules are deliberately left flexible...Everyone is pushing the regulatory boundaries to their elastic limits, especially where the capital market is concerned." The arguments in favour of reform are clear, particularly where consumers of banking services are concerned. It would bring them freedom of choice in what has up till now been a very limited market. It would also foster the development of the kind of modern capital market that Taiwan needs if it is to secure long- term benefits from its industrial success

Yet reform, when it comes, is likely to bring a shakeout in its train. Mr Philip Fang of the local Securities and Exchange Commission notes that granting licences to local banks to operate in the securities market might lead to excessive competition and conflict with the banking law. When it happens, it is likely that banks will have to handle such business through separately capitalised subsidiaries, he says

Fears that reform would simply lead to unequal competition between sophisticated foreign banks and their inexperienced local counterparts seem overstated, however. Foreign banks do have modern products, ready.

Continued on page 4

Industry in transition

No more protection for the inefficient

TAIWAN'S INDUSTRIES are being forced to grow up, after years of coddling by the Government and active wooing by international buyers who, year after year, plopped lucrative orders into manufacturers' labour-intensive laps

That is all over now, and those manufacturers who thought the good days would last forever suddenly find that yesterday is gone.

To begin with, the New Taiwan dollar is not what it used to be. The Government allowed the it to remain undervalued as an incentive to the island's exporters, who traditionally have supplied about half of Taiwan's GNP. Over the past two years, though, the currency has risen from around NT$40 to US$1 to about 30:1. That 25 per cent appreciation has delivered a rough blow to marginal producers of widgets and the like, who lack the financing and the savvy to make their operations more efficient

Cheap labour is gone, too. Wages in Taiwan have been rising on average by 10-12 per cent since the beginning of the decade, and buyers are now moving to other developing countries, such as Thailand, the Philippines, Indonesia, Malaysia and Sri Lanka, in search of the bargains that Taiwan used to offer

Finally, the Government has given notice that it will no longer protect inefficient industries through high tariffs and other trade barriers. Tariffs on many items have in fact been falling drastically over the past couple of years, and a recent proposal to cut duties on about 3,500 items - roughly 81 per cent of the goods on Taiwan's tariff schedules - will, when approved by parliament next year, bring average import duties from the present 20 per cent to 12 per cent

Dr George Yang, the US-educated chairman of the Industrial Development Bureau, which helps set industrial policy, predicts that over the next year Taiwan's tariff schedule will, on average, fall into line with those of developed nations.

"Protection of industries should be phased out according to a timetable, and now that we have the approval of the cabinet, the Industrial Development Bureau is going about it," he says. "In the future, if we need to foster an industry, we'll use education, research and development, information that includes better planning, and financial tools instead of protectionism."

Dr Yang estimates that within the next 12 months tariffs on basic materials will fall to 0 - 5 per cent, on intermediates to no more than 10 per cent, and on downstream products to a maximum of 20 per cent. A year from now, no industrial imports will be dutied at more than 30 per cent, he adds.

This spells bad news for local manufacturers, most of whom have been ignoring several years of government warnings that industries would have to upgrade or perish. Many manufacturers have simply continued to rely on orders tailored by foreign buyers to their capabilities - and costing structures - without referring to long-term strategic studies or even common logic.

Export figures for this year still paint a rosy picture for Taiwan's industries, however. Overall, exports during the first nine months were up by more than 39 per cent over even last year's stellar performance to US$39.5bn. When calculated in terms of Taiwan dollars, the gain was still an impressive 18 per cent year-on-year.

But those figures do not reflect what is happening to industry on the micro-economic level. For instance, the head of the Taiwan Textile Federation, which oversees Taiwan's textile exports, in October told the US Congress that 196 manufacturing firms had closed so far this year, because their products were no longer competitive at the heightened level of the local currency.

In fact, textile companies that can afford it, or that have good *connections elsewhere in Asia*, are moving their operations offshore to nations whose cost structures are similar to those in Taiwan 20 years ago.

For instance, fabric manufacturers, whose output traditionally has been aimed at Taiwan's own garment makers, have over the past two years started relocating their low- and mid-end production in south-east Asian nations that are just beginning their own apparel industries.

Shoemakers, too, have started to export components to other parts of the region - including arch-rival China - for assembly in order to remain competitive. At the same time, many manufacturers are upgrading their production facilities in Taiwan - exactly what the planners have in mind. Raymond Chuang, sales manager of Chia Her Textiles, says his company has computerised its operations from filament production right through to finishing of fabrics.

According to Chuang, those manufacturers who have not opted to move their production offshore have instead begun investing in new high-speed weaving facilities to remain competitive. Others are beginning to produce more high-end goods at home while moving their low-end production offshore.

The footwear industry, Taiwan's third-largest foreign exchange earner after electronics and textiles, has also seen the writing on the wall for the low-end items that helped it achieve its present success. To force manufacturers to produce shoes with more value-added content, the Footwear Association actually imposed a global export quota on itself. The argument is simple: if the export numbers are limited, manufacturers will start making higher-end shoes with higher profit potential.

The pressure is on other sectors, too, with more emphasis on computers and related information products these days than on traditional consumer items. Local papers have reported that some makers of lower-end products such as radios and telephones are trying to postpone the inevitable by moving production to mainland China.

But at the same time, government statistics show, export sales of information products and components reached US$1.85bn during the first seven months of this year, an increase of 80 per cent year-on-year. The information industry thus accounted for 33 per cent of the total $5.65bn worth of electronics exports during the period.

For companies that lack the foresight or the financing to shift their activities upmarket a number of notches, however, the transition can be painful, and *government planners admit they* expect a noticeable degree of social disruption before Taiwan's industry settles comfortably into its new niche

The Government has set as its goal an industrial structure radically different from the one that has over the past two decades carried Taiwan's economy to its current heights. That means higher technology, increased spending on R & D, forays into new areas such as biotechnology, and an end to protection of local industries through tariffs and the like.

All these changes do not sit well with some traditional manufacturers. Indeed, the Government has had to contend with what one official described as "vested interests" in carrying out even the most obviously required reforms - and clearly, more such confrontations will occur in future.

"Some inefficient, marginal firms will go bankrupt," says Mr Chuang Yih-chyi, a London School of Economics graduate who now works in the economic planning council's sectoral planning department. "But to upgrade, we're prepared to allow inefficient firms to weaken. We're already hearing complaints from some firms, and in the short term it will be very hard for our country. But it's necessary."

Bob King

Bob King profiles some of the people who give Taiwan business life its special quality

TAIWAN lacks the stereotypical, flamboyant, high-powered industrialist, perhaps because flamboyance is not in keeping with the Confucian precepts of modesty and self-deprecation. But behind the scenes leading Taiwan businessmen reshape and re-define industries with their decisions. Many also participate in setting or modifying policies at government level, because business is Taiwan's life-blood.

Tycoon with caution

WANG Yung-Ching comes the closest to a Taiwanese version of a tycoon. He is also Taiwan's only self-made billionaire.

Mr Wang, now 70, rose from humble beginnings as a small rice-dealer with little formal education to become one of the world's wealthiest men, with a fortune variously estimated at US$1bn-$2 bn.

Despite enormous success, built mainly on sales of PVC products, he remains the archetypical Taiwanese. He shuns publicity - seldom appearing at public functions - and is reticent when questioned about his wealth. But he retains a firm hand on all top management decisions for his group of companies, when a western model would call for diversified control.

Mr Wang also retains a work ethic and sense of frugality in keeping with the Taiwan of 50 years ago, when he forced himself to rise earlier and work later than his better-connected competitors, and thus expanded his business at their expense.

Taiwan's strength is still the dedication and diligence of its workers, according to Mr Wang; and he plans to carry these qualities into continued expansion of Formosa Plastics' facilities at a time when other PVC makers around the world are having trouble turning a profit.

In the works is a US$1bn 450,000-tonnes-per-year naptha cracker and related plant. The cracker output will give the group its own supply of ethylene, a key ingredient of PVC.

Currently, the company relies on government-owned crackers for its supply. When the project comes on stream, Formosa Plastics' output of PVC powder will rise from 600 tonnes a day to 2,000 tonnes, and the company will control its production almost completely from the top down.

With such ambitious projects - and with US$380m in pre-tax profits last year - one would tend to think of Mr Wang as an aggressive entrepreneur. In fact the opposite is true: he remains highly conservative in business and unwilling to consider diversification into areas that are not familiar, such as high technology.

"If after some time people become less diligent and the company's competitive edge diminishes, then maybe Formosa Plastics will have to move in a different direction," he says.

But he makes it clear that such a move would be forced by events rather than undertaken as a risk venture, and that the company should stick to what it knows best: PVC and related products.

In step with fashion

TALK about carrying coals to Newcastle... While Taiwan was busily becoming the world's largest exporter of footwear, **John** and **Sofia Hau**, of Taishoe International, were developing Taiwan's largest chain of boutiques, selling foreign-made shoes.

But to Mr Hau, aged 45, such a direction seems natural enough, given an interest in quality footwear that dates back to an importing business he operated in the US 16 years ago.

And he certainly has no complaints from a strict business point of view: the husband-and-wife team estimate that their string of "Sofia" boutiques around the island are now grossing NT$10m (about US$330,000) a month.

Mr Hau made a point of learning every aspect of the shoe business before beginning his current venture. His experience in the US taught him the importance of quality and scheduling.

Back in Taiwan in 1973, he got a chance to put his theoretical knowledge to the test when he started up a factory employing retired servicemen to make shoes for export.

He specialised in high-end, exotic footwear made of unusual leathers such as snakeskin; and by the time he sold his factory five years later, he was convinced that Taiwan's future in footwear lay in quality rather than volume.

In 1978, Taiwan's footwear industry was beginning the expansion that would make it the world's leading supplier in terms of volume. But Mr Hau began trekking to advanced shoemaking nations such as Italy to learn first-hand about quality shoes and sophisticated machinery for making them.

He put that knowledge to good use with a new manufacturing venture that nowadays turns out 6,000 pairs of shoes a day. But he felt there was also a market in Taiwan for prestigious labels from famous European and American designers, and in late 1985 was able to conclude an importing deals with Bruno Magli of Italy.

Nowadays, the Sofia Boutiques offer ladies' shoes carrying such labels as Andrea Pfister, Monique, Casakei, Colette, Mario Bologna, and Pollini of Italy, as well as Bruno Magli. They have also tried to add US shoes to their line, and recently added a shop in the northern Taipei suburb of Tienmu that carries shoes for the whole family.

The Haus' success has stemmed as much from Taiwan's new-found affluence as from the couple's astute sense of quality and business acumen.

Nowadays, fashion-conscious Taiwanese housewives do not blink at spending NT$3,000 (about US$100) or more on a pair of shoes from a Sofia Boutique. And for those who are still hesitating, the Haus have introduced a medium-priced range of Italian imports that they have designed and made for the Taiwan market at contracted factories in Italy.

A father of the micro

MATTHEW Miau hardly acts like a man who helped design the world's first microprocessor.

Quiet and unassuming by nature, he becomes positively reticent around the press. But get him started on his favourite topic - *how high tech applies just about everywhere* - and it is hard to get him to stop talking.

Mr Miau heads a group of affiliated companies that all involve high tech in one way or another: Union Petrochemical, Lien Hwa Industrial Gases, and Mitac Inc, to name but a few.

In addition, he oversees several joint ventures - again, in the high tech field - with such names as British Oxygen of the UK, and Citibank N A, Digital Equipment Corp, and Intel Corp of the US.

His projects run from manufacturing high-pressure vessels for cyrogenic research to producing special industrial gases, and to modifying Digital Equipment mainframe computers for the Taiwan market.

Mr Miau, who at 41 holds a degree in electrical engineering as well as an MBA from the University of California, was one of five people on an Intel Corp design team that designed the first eight-bit microprocessor, the 8080, and sparked the so-called "microprocessor revolution" that has made possible everything from personal computers to "talking" copy machines.

He left Intel in 1973 to return to Taiwan, and promptly designed the world's first computer that used Chinese. Since then, it has been development after development, most often involving joint ventures with foreign partners.

"The mentality of Taiwan should move toward more global thinking through many, many joint ventures. These are the things that tie us together," he says. "Shareholders [in these projects] then become truly multinationals, rather than simply opening offices overseas."

That concept has worked well for Mr Miau. He recounts, for instance, how Digital Equipment originally balked at the idea of setting up in Taiwan.

"I made a market for them, and then said, 'let's talk'," he explains. The resulting co-operation produced a version of Digital's VAX computer that was tailored for Taiwan's specific needs and that has made Digital the number-one vendor of large computers in Taiwan.

In late October Mr Miau also introduced the first Cray supercomputer into Taiwan - an event which he says will bring up the country's technology level tremendously.

"This drives me, to see this kind of thing happen," he says.

The US$5.5m second-hand machine will be installed at National Taiwan University, where among other tasks it will process data provided by the Taiwan weather bureau.

Towards banking reform

Continued from page 3

as Mr Vaughn puts it, to take off the shelf but the mostly state-owned local banks have much broader reach through their extensive branch network

Generally they have been able to absorb currency losses incurred through the sharp appreciation of the New Taiwan Dollar, and they are in much better shape financially than their counterparts in, say, Korea. Local business is not by and large overgeared. Most lending is firmly secured and the banks' main problem at the moment is finding enough customers to lend money to. Mr Chien says less than half his balance sheet actually takes the form of advances

All this serves to heighten pressure for reform, even though most admit that the process itself will not be easy. Qualified personnel, particularly in foreign exchange and treasury operations, are in short supply. The government itself is proceeding cautiously for fear that reform will backfire

Many foreign banks have until now been able to make a lucrative living out of trade finance, though not all have been happy with their experience in Taiwan *and some, such as Chemical and* Bank of America have wound down their operations. As reform proceeds they will all have to try to make money in a new-style market place

Local banks, says Mr Vaughn, "are coming out of a protected bureaucratic turf into the real world." In many cases the authorities have traditionally imposed a straightjacket on them, strictly defining their permitted sphere of activity. Few have foreign operations from which they can acquire the experience to operate in a liberalised marketplace

The government has sought to limit foreign operations of local banks, says Dr Liang of Chang Hwa Commercial Bank. "They say that we do not have the expertise so the government will not issue a licence for us, but this is a vicious circle." With luck, as reform proceeds, it is a vicious circle that will finally be broken.

Peter Montagnon

If you're going to Taiwan

Airlines (international)

AIR Nauru, Cargo Lux, Cathay Pacific, China Airlines, Flying Tiger Line, Japan Asia Airways, KLM, Korean Air, Malaysian Airlines System, Martinair Taiwan, Northwest Orient, Philippine Airlines, Singapore Airlines, South African Airways, Thai International, United Airlines.

Airlines (domestic)

CHINA Airlines, Far EasternAir Transport, Taiwan Airlines.

International airports

TAIPEI, Kaohsiung.

Currency

NEW Taiwan $. Currently about NT$30 to US$1. Notes: NT$1,000, $500, $100, $50. Coins: NT$10, $5, $1, 50 cents

Immigration

ALL visitors require visas. They can be obtained, usually within a few days, at any Taiwan consulate or - in the case of countries with which Taiwan has no official ties - at unofficial presences such as Taiwan trade offices. Types of visas include: transit (two weeks stay), tourist A (up to three months), tourist B (up to six months), commercial (also up to six months). The Government also issues group tourist permits, valid for two weeks, to groups of at least 15 people.

Health certificates

TRAVELLERS from, or passing through, cholera-infected areas and who have stayed there at least five days require inoculation certificates.

Evening food market in Taipei

Customs

PERSONAL effects are duty free, but travellers must declare radios, TV sets and tape-recorders. Travellers' cheques and bank drafts need not be declared. No more than NT$8,000 may be brought into the country, but there are no limits on the amount of foreign currency that may be brought in and, if declared on arrival, taken out.

Without a declaration form, no more than US$1,000, or the equivalent, may be taken out. Gold and silver bullion, grain, unauthorised copies of books and records, genuine antiques, *ancient coins, and paintings may* not be taken out. Other than these, many other items are dutiable; it is best to enquire of Taiwanese offices abroad.

Credit cards are accepted in some places.

Major hotels in Taipei

AMBASSADOR, Asiaworld Plaza, Brother, Century Plaza, Fortuna, Grand, Hilton, Howard Plaza, Imperial, Lai Lai Sheraton, Rebar, Ritz, Royal.

There are also less-sumptuous but quite comfortable four-star hotels, as well as a variety of lesser-known but liveable hostels. Those mentioned all provide transport to and from the airport. It is best to book in advance. Rates for international standard run from US$71 to US$150 a day, plus a 10 per cent service charge

Nightlife

DISCOS, pubs, piano bars, "hostess" clubs in a wide variety of conditions and price ranges. Safe for starters and for getting to know a cross-section of the expat and local community: the "Ploughman" chain of pubs and restaurants. Otherwise, prices range from moderate to absurd.

Car hire

DAY, weekly, and monthly rates available from Hertz and a host of small operators. For first-time visitors, it is best to book a driver, because of local driving habits and a general absence of street signs in romanised form.

City transport

MOST visitors (and many residents) travel by taxi. They are relatively inexpensive but usually terrifying. Have a friend write down destinations in Chinese, as most drivers do not speak or read English.

Around the island

CHINA Airlines and Far Eastern Air Transport provide regularly-scheduled flights by Boeing 737 to major cities, while the smaller Taiwan and Formosa Airlines fly small prop planes to offshore islands. An excellent system of coaches running on the North-South Freeway links Taipei to the rest of the island. In addition, a modern rail system takes travellers from Taipei to Kaohsiung in about four hours.

Communications

THE telephone system is at worst reliable and at best excellent. Satellite and undersea links, as well as international direct dialing on most exchanges, make communications simple. The phone company also offers packet-switched and dial-up computer communications, as well as fax connections, for offices with the necessary equipment.

Banking

THIRTY-three foreign branches and several Chinese banks are equipped to handle international business and personal transactions.

Electricity

110 volts AC, 60 cycles

Time

EIGHT hours ahead of GMT

Office hours

0900-1200, 1330-1530 (Mon-Fri), 0900-1200 (Sat).

Climate

SUBTROPICAL, with average temperatures from 12 degrees Centigrade (Jan-Feb) to 35 degrees C (July-Aug). High humidity makes both extremes unpleasant. Taipei city's air is extremely polluted, especially in summer.

Attire

MOST government and business affairs are conducted in coat and tie, but there are exceptions. Businessmen often dress casually when visiting factories. In the summer, when the heat makes attempts at formality absurd, government officials often resort to safari suits. In the colder months, it is wise to pack sweaters and perhaps a medium-weight jacket. Anything not included in the traveller's kit can, of course, be bought in any number of shops here for a song.

Bob King

FINANCIAL SERVICES to £26,000 + Car + Bfts City	The ideal first time move for ACA's with some relevant sector audit experience. Our client, one of the major forces within the square mile, has a much envied record of progressing ambitious accountants into corporate finance, business development, acquisitions and mergers and investment management. Ref: RK.237
CHIEF ACCOUNTANT c£25,000 + Car C. London	This prominent media and communications organisation wishes to strengthen its finance function by the appointment of a qualified accountant aged 25-30. Candidates should be able to demonstrate proven commercial, management and technical skills together with the ability to thrive in a fast moving and dynamic environment. Ref: MJH.605
FINANCIAL MANAGER c£25,000 + Bfts Berkshire	This market leading FMCG company urgently requires a motivated accountant with developed business acumen. You will take responsibility for management and financial accounting procedures as well as promoting brands and profitability. Evidence of applied skills and dedication in this broad role will lead to early success. Ref: AN.184
SENIOR ANALYST £24,000 + Bonus West End	Renowned retailing organisation seeks an energetic young qualified accountant with experience of corporate planning. This influential and varied position reports directly to the divisional board and involves the presentation of financial and strategic information. Outstanding promotion prospects for self-starter. Ref: JPB.29
SENIOR ACCOUNTANT c£23,000 + Car Surrey	Blue-chip manufacturing company offers outstanding career move to qualified accountant aged 28-38. This role encompasses financial reporting, budgets, forecasts and system enhancement. Several years relevant experience in a computerised, multinational environment are essential for this challenging position. Ref: AC.637
ASSISTANT CONTROLLER c£22,000 + Bfts London	Prestigious international bank has an exciting opportunity for a young recently qualified accountant, eager to make a career in financial services. Responsibilities include forward planning, systems development and statutory accounts. Continued expansion will ensure excellent prospects for the successful applicant. Ref: AC.661

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INTERNATIONAL APPOINTMENTS

Kidder Peabody names senior vice-president

MR Clarence E. "Red" Johnson, former chief executive officer and director of Borg-Warner, has been named senior vice-president of Kidder, Peabody, the Wall Street investment house.

Located in the company's Chicago office, Mr Johnson, 61, will assist in all areas of the business by servicing existing clients as well as developing new ones in the Chicago area and the firm's Central Region. In addition to working with Kidder's existing staff in these two areas, he will be involved with the company's specialists located in New York and around the country, encompassing a wide range of activities. He will report to Mr Max C. Chapman, Jr., president of Kidder, Peabody.

Mr Chapman said: "We expect that Red's extensive management experience and knowledge of the Midwest will contribute enormously to our efforts in this important region."

In a career with Borg-Warner that began in 1953, Mr. Johnson served in several operating and staff positions encompassing administration, international relations, manufacturing and other functions.

Prior to joining Borg-Warner, he was director of admissions at Millikin University in Decatur, Illinois. He joined the Federal Bureau of Investigation in Springfield, Illinois, and served as a special agent from 1952 to 1953.

Kidder, Peabody is a full service, global investment banking concern with more than 7,000 employees worldwide. In 1986, General Electric acquired an 80 per cent interest in the 122-year-old company.

A leading geneticist joins SmithKline Beckman

DR Leon E. Rosenberg, Dean of the Yale University School of Medicine and one of the nation's leading geneticists, has been appointed to the board of directors of SmithKline Beckman.

A specialist in clinical genetics and inherited metabolic disorders, Dr Rosenberg, 54, has taught at Yale since 1965. Before his appointment as Dean of the School of Medicine in 1984, he helped to establish and served as chairman of the Department of Human Genetics from 1972 to 1984. He was named C.N.H. Long Professor of Human Genetics in 1980. He was an intern and resident in internal medicine at the Columbia-Presbyterian Medical Centre, and worked at the National Cancer Institute serving as a clinical associate and senior investigator with the institute's metabolism service.

* * *

DR IRWIN Stelzer, director of Harvard University's Energy and Environmental Policy Center, has announced the appointment of Mr Gerald Malone, MA, LL.B., as the Center's new Director, European Affairs.

A Member of Parliament in the UK from 1983 to 1987, Mr Malone has been active in developing UK energy policy, particularly as it relates to North Sea oil development.

In announcing the appointment, Dr Stelzer commented: "It has become increasingly clear that energy and environmental issues are transnational - the solutions to problems ranging from acid rain to the optimal structure of electricity supply industries increasingly require an understanding of the works of scholars in several countries."

Mr Dale E. Boyer

Hughes Tool

THE appointment of Mr Dale E. Boyer as president of the Hughes Tool Company, Houston, Texas, has been announced by Mr Howard I. Bull, senior vice-president of Baker Hughes Incorporated and president of Baker Hughes Drilling Equipment.

Mr. Boyer is a 1950 graduate of Vanderbilt University, and since 1960 has held various executive positions with Smith International.

Hughes Tool Company, which merged with Baker International earlier this year, is the leading supplier of rock bits to the oil and gas drilling industry. Through his recent positions, Mr. Boyer brings a strong background and knowledge of the rock bit market to Hughes.

Communications executive at American Express

THE DIVERSIFIED financial and travel services company American Express has announced the appointment of Mr Lawrence A. Armour as senior vice-president, corporate communications.

Mr Armour, 52, will oversee day-to-day media relations both in the US and abroad; and be responsible for the design, development and implementation of strategies for communicating information about American Express and its activities to its external audiences. Additionally, he will counsel the chairman, president and other members of senior management on matters relating to the media and public affairs.

Since 1981, Mr Armour has held the position of director of corporate relations at Dow Jones, where he has been responsible for public relations, investor relations, and stockholder relations. Prior to assuming that post, he spent 20 years at Barron's as a reporter, editor and news editor.

* * *

MR THOMAS J. Becker has joined Chemical Bank as managing director in the capital markets services and balance sheet management group.

In this newly created position, he will head Chemical's asset securitisation effort and will report to Mr Sabatacakis. Mr Becker was previously with Kidder, Peabody, where he held the positions of managing director, asset finance department, and president of Kidder, Peabody Acceptance Corporation I, an issuer of securitised transactions. In 1982, Mr Becker received the firm's "Man of the Year" award in recognition of his leadership capabilities and financial innovations.

Bowater elects director

MR Hugh D. Aycock, president and chief operating officer of Nucor Corporation, Charlotte, North Carolina, has been elected by Bowater to its board of directors.

He will serve in the class of directors whose term expires at Bowater's 1989 annual meeting of shareholders, and succeeds Mr John A.B. Keeling, who has resigned upon reaching the age of 65. Mr Aycock has been in the specialty steel manufacturing and fabricating business throughout his professional career. Mr Keeling has completed nearly 40 years of personal association with Bowater in North America and some 60 years of family service to the company and its predecessors.

Accountancy Appointments

Financial controller

c£25,000 plus car
London

FOCUS™

C&L

Leadership in the field of corporate information software is Information Builders' "raison d'être". Its products and principally its 4GL FOCUS software are widely used by an impressive list of blue chip companies. The major subsidiary of its US parent, the UK company has achieved a 50% increase in turnover to £10 million over the last year. Further growth prospects by way of market expansion, within the UK and via its European subsidiaries, and also by way of its highly active product development and acquisition programmes are excellent.

The rate of growth now justifies the addition of a Controller for the UK companies thus leaving the Group Controller to develop European activities. Leading a team of eleven, the person will be required to give financial advice to the five Business Unit Managers and be fully responsible for accounting, management reporting, planning and treasury activities plus administration of the UK operations.

To join this high calibre team, the person should be a graduate trained accountant with at least three years' post qualification experience, preferably gained in a service company environment. The right person must be assertive, self reliant, and pro-active. A high order of communication skills, commercial acumen and computer awareness are also essential. Preferred age is 27-35 years.

Prospects for expanding the role to encompass the European subsidiaries are excellent.

Résumés, including a daytime telephone number and current salary, to Chris Haworth, Ref. CH814.

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£20,000 neg. A prominent city institution urgently requires a motivated qualified accountant (preferably with exposure to futures). Excellent opportunity for a rewarding and interesting career outside the profession.

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C£17,000+ Very generous benefits. London based multinational group with diverse interests. 30/ travel-Europe only. Age 25-35. Qualifications, systems & audit experience desired.

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01-255 1555

Financial Controller

to £35,000 + car **London**

Our client is a medium sized, broadly based commercial firm of solicitors which in recent years has enjoyed impressive growth. The firm is modern in outlook and has an excellent reputation for its professional services to a varied UK and overseas client base. Its major departments include company and commercial law, property and conveyancing, litigation and private clients' affairs.

To support this phase of growth a Financial Controller is required. Reporting directly to the Managing Partner, the appointee will establish close working relationships with the Partners for the better financial management and control of the business. With staff responsibility, key tasks will include the review and development of EDP and financial control systems, the provision of accurate financial statements and reports, the preparation of budgets, forecasts and plans, cash management and ad hoc financial projects.

Candidates should ideally be qualified Accountants, aged in their thirties, currently working in a solicitors' practice, an accounting firm or similar professional environment. Experience of solicitors' accounts is useful but not essential. Above all we are looking for excellent communication skills, a practical approach to problem solving and the flexibility to respond quickly and efficiently to the varied demands of the role.

Please reply in confidence, giving concise career, personal and salary details to:
Judith Richardson, Ref ER 962,
Arthur Young Corporate Resourcing,
Citadel House, 5-11 Fetter Lane,
London EC4A 1DH.

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Accountants

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Head of Finance & Administration

c. £27,000 pa plus accommodation

Newmarket

Our client, the Animal Health Trust, is the only charitable institution in the United Kingdom working full time on the diseases of animals, their diagnosis, cure and prevention.

The Trust, which was founded in 1942, supports rigorous scientific method with business-like administration. This will be enhanced by appointing a Head of Finance and Administration to assist the Director co-ordinating all non-scientific matters.

A qualified accountant is required whose professional knowledge includes computerised accounting for multiple cost centres, MIS, asset management and investment of funds. Experience of structured administration, preferably in a scientific environment or charitable trust, is also called for.

The salary and pension arrangements for this post are linked to University levels and superior rent-free accommodation is available.

Applicants are asked to write, quoting reference 1503 and with a full cv, current earnings and a day-time telephone number, to

BinderHamlyn MANAGEMENT CONSULTANTS
Trevor Austin, Executive Selection Division,
Binder Hamlyn Management Consultants,
8 St. Bride Street, London EC4A 4DA.

Working as an International Auditor with Elf is not like working for any other company.

You'll be working, for instance, in a department that covers the audit for the Elf Aquitaine Group—France's third largest company—and enjoying the career prospects that this implies.

Initially based in Paris, you'll be spending around 50% of your time travelling to our locations all over the world. Success will lead you to a line position anywhere in the Elf Aquitaine Group.

Being an accountant need not be quite what you'd expect.

We're looking for people of the highest calibre. Our salary and benefits package, including relocation expenses, free accommodation and a non-contributory pension scheme, reflects this.

A graduate Chartered Accountant, preferably with a good working knowledge of French, you'll probably be aged around 25, newly qualified and ready for the challenge we're offering.

Your first step is quite simple: ring 01-628 5021 and ask for Bob Gunning or send him your C.V. at Austin Knight Selection, 17 St. Helen's Place, London EC3A 6AS. Please quote ref: 120/JRG/87.

COMPUTER SYSTEMS AUDIT MANAGER

"When you create a double-headed challenge, you need a single-minded professional."

c.£22K + car + benefits · Swindon

The merger of Nationwide and Anglia Building Societies, on September 1st, created an exciting new force in financial services. A £20 billion organisation with 900+ branches and some 8,500 staff.

It also brought together the resources of two separate mainframe environments (UNISYS at Swindon, ICL at Northampton) and two ATM networks.

The two will continue to run side by side for the foreseeable future, thus creating a two-fold challenge for the new Manager of the Computer Systems Audit team.

The brief for this key figure will fall broadly into two areas: firstly, on the development side, you'll analyse new system proposals, assess the control requirements in respect of both ICL and UNISYS applications and ensure they're implemented and adhered to. Secondly, you'll monitor existing systems for physical and access security, network security, key management, contingencies and organisational controls.

The development of Systems Audit techniques will involve not only the training of your own departmental staff but also influencing management into the acceptance of new ideas and methods. In this respect, excellent communication skills will be vital.

This is a new role, and for a committed professional with the right qualifications and experience it ought to be an irresistible challenge. We're looking for a qualified Accountant with a proven track record in systems audit – ideally in a large financial services environment or possibly from an Accountancy Practice. Either way, you'll need good managerial skills to control, motivate and develop a growing department.

This is a high profile role offering the opportunity to make an indelible mark on a blue-chip organisation. Outstanding career prospects are matched by an excellent rewards package with benefits including company car, free BUPA and mortgage facilities (after a qualifying period).

Do you have a single-minded commitment to success? Then please write with a detailed CV (including your current salary), before November 23rd, to: Richard Wharton, Personnel Administration Manager, Nationwide Anglia Building Society, Head Office, Chesterfield House, Bloomsbury Way, London WC1V 6PW.

We are an equal opportunities employer.

Nationwide Anglia Building Society

FINANCIAL DIRECTOR

£35,000 package + car Gloucestershire

This is an exciting and important time for our clients, a well established and profitable manufacturing company employing about 200 people. As a result of continuing success, the Board is currently negotiating with its parent group for a carefully planned management buy-out and future independent business expansion.

In order to bring their senior executive team up to full strength they now wish to appoint a young and dynamic Finance Director who will play a major part in their short and *longer-term development*.

This key role will require somebody who has the personality to work successfully with City advisers and investors; who has the drive and acumen to participate positively in corporate planning and acquisition strategy; yet who still has the "shirt-sleeves" approach and sound accounting ability to ensure that a small accounts department produces effective management and financial information.

Applicants, who will probably be graduate Chartered Accountants, should be able to demonstrate these qualities and skills in a track record of increasing responsibility and success. They should also, however, have the ambition and commitment to maintain their continued personal and business growth.

There will be a full executive remuneration package for this demanding yet rewarding role. It will include an attractive salary, bonus and equity participation as well as a prestige car, relocation to this very pleasant rural town and the other usual benefits.

Applicants should write, in confidence, enclosing a full CV including salary details and quoting reference S2917, to Paul Carvosso.

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Executive Selection and Search
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Construction Industry

Assistant Finance Director

£20–25k + car and attractive benefits
East Midlands.

Our client is a progressive family-owned construction group, with subsidiaries in design and property development. The emphasis is on quality and design, and the Group has won many awards for its work over the last 25 years. Turnover is currently £55 million, and rapid growth is planned for the next 5 years.

The Assistant Finance Director will assume day to day responsibility for management accounts, budgets, financial accounts and liaising with professional advisers. There will also be a requirement to provide 'ad hoc' specialist advice to both the main Board and directors of subsidiary companies. Appointment as Finance Director should follow *in the medium-term future*.

Applicants should be qualified Chartered Accountants preferably aged early to mid-thirties. Industry experience will be an advantage, as will experience of dealing with the City. *A particular priority will be to review existing* computer-based financial systems, and relevant experience here will be useful.

To apply send full personal and career details (including details of current earnings) to Caroline Dunk, quoting reference FT/191 and outlining in your covering letter why you are interested in this job, and what you have to offer.

Deloitte Haskins+Sells
Management Consultancy Division
Cloth Hall Court, Infirmary Street, Leeds, West Yorkshire LS1 2HT

Group Finance Manager

c. £22,000 + car E. Midlands

Our client is a major engineering company operating at the forefront of industry technology and with a turnover of c. £300m. With a predominant position in its prime market, the company is now embarking on an ambitious programme to diversify its product base. There has been a heavy investment in new technology and management and workforce are united in their commitment to a business both market led and responsive to change.

In recognition of the need to reflect the market, the company has redefined its operations into two main groups each with a number of discrete businesses established as autonomous profit centres. As deputy to the Financial Controller of one of the new groups, this is a "hands on" role in which the appointee will be fully responsible for providing and evaluating the businesses' financial and management information to tight deadlines. In addition to the compilation of group budgets, forecasts and plans, the individual will have the scope to introduce and implement new systems and procedures and participate in the formulation of group strategy.

Candidates will be qualified accountants aged *late 20's/early 30's. Ideally you will have gained* several years' corporate accounting experience preferably within a manufacturing organisation engaged in a contract engineering environment. A familiarity with financial modelling would be advantageous. Personal qualities will include well developed interpersonal skills, a practical, analytical approach and the drive to make a positive contribution in a challenging environment.

Please apply in confidence, giving concise career, personal and salary details to:
Brendan Keelan, Ref ER 967,
Arthur Young Corporate Resourcing,
Citadel House, 5-11 Fetter Lane,
London EC4A 1DH

Arthur Young Corporate Resourcing
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Luxembourg

Our Client, a large international investment company operating out of Luxembourg with assets around US$3.5 billion, is currently seeking the following key personnel as part of its development plans for 1988.

Treasurer £ Neg

Reporting to the resident Vice-President, this is essentially a development role. With liquid assets of nearly US$1 billion your main personal objective will be:

* To develop the treasury management function for the Group, in line with their declared intention to more actively manage its investments.
* To establish a high-level treasury expertise to increase the return on liquid assets, along with security for funds already invested.
* To develop the Group's borrowing expertise.

Further responsibilities will include management of the Group's borrowings and cash, foreign exchange exposures, cash reporting and bank relationships.

Financial Controller £40K Min

To head up the whole accounting function for the Group's activities in Luxembourg. Reporting to the Vice-President, the successful individual will take full responsibility for the overall financial control being part of a small management team and will play an integral part in the Group's development.

The candidate, ideally a qualified chartered accountant, will have experience of consolidation work and reporting systems within a major international company. Exposure to US accounting practices would be useful, however, more importantly, the candidate will need to be dynamic, imaginative, be able to communicate at very senior levels and contribute to investment decisions.

Both positions call for a young dynamic approach, probably aged in your early 30s you will be responsible for developing and building your departments. A knowledge of French would be useful, but not essential. Very attractive remuneration packages are offered along with excellent career prospects for the successful candidates.

If you are interested in finding out more about these positions, please contact: **Warwick Holland on 01-831 0431 (evenings 01-785 2747)**, or write, enclosing full CV to: **Michael Page International, 39-41 Parker Street, London WC2B 5LH.**

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Finance Director

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West Midlands — *to £35,000 + car & benefits*

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As Finance Director you will contribute significantly to the group's strategic development. You will support its front-end activities by managing effective responsive MIS, financial and accounting functions; provide and interpret data for the operating units and review and enhance systems and procedures in response to changing needs.

You will be a qualified accountant, aged 30-40, with a record of outstanding performance in finance and accountancy in a substantial sales or service business. Key traits will be a commercial approach, ambition and commitment. Prior experience in a related industry is not necessary.

A highly competitive remuneration package is offered, including performance-related rewards. Relocation assistance will be offered, if appropriate.

Please reply to Patrick Boland, in strict confidence, with details of age, career and salary progression, education and qualifications, quoting reference 5051/FT on both envelope and letter. Interviews will be conducted in Birmingham and London.

Deloitte Haskins+Sells
Management Consultancy Division
Edmund House, 12-22 Newhall Street, Birmingham, B3 3DX

GROUP FINANCIAL DIRECTOR

West Midlands c. £30,000 + Bonus + Car

Our client is a highly prestigious, British-owned Group of Companies involved in materials testing, servicing, design and industrial training. Well established and with an international reputation for excellence, the Group is widely acknowledged as the elite in its field, setting the standards by which others are judged.

As a senior decision-making member of the Board, the Group Financial Director will co-ordinate and define policy for the financial management of the Group's affairs.

Major emphasis will be placed on the development of Group strategies and policies in line with planned expansion by acquisition. Experience in this area is essential. The role will carry a strong bias towards general management.

The successful candidate will be a Chartered Accountant, aged 30+ and educated to degree level. Skilled in multi-branch accounting control, computer applications and with at least three years Board level experience in Engineering, applicants will demonstrate maturity, leadership and commitment.

Polished communication skills and the ability to motivate and direct staff are prerequisite. The senior nature of the position also demands stature and versatility coupled with a capacity for shrewdness and innovation. Overseas travel to subsidiaries will be required. Success in this very demanding position will only come from candidates willing to demonstrate high levels of commitment.

An excellent remuneration package is offered together with the benefits normally associated with an executive appointment. Applications in writing with full career and salary history details and quoting reference B/089/87 should be directed to Steven French.

KPMG Peat Marwick McLintock
Executive Selection
Peat House, 45 Church Street, Birmingham B3 2DL.

ACCOUNTANT

(Controller Designate)

Surrey £ negotiable + car

Our client, part of a $1,500 million International Electronics Corporation, requires a young qualified ACCOUNTANT capable of quick growth in stature. Initially responsible for 6 staff already using the company's own computer system but in the Spring will be required to supervise the introduction of new software package necessitating parallel running alongside existing system.

Candidates must have the ability to understand the computer industry. As there is a strong sales environment within the company, applicants should have a flexible mind and enjoy working closely with the very successful sales team. Commercial/business acumen is as important as financial expertise in handling monthly accounts, financial reports, credit control etc.

Salary is negotiable and will depend upon past experience and in-depth ability to lighten the work load of the Director of Corporate Finance. Benefits include a company car, BUPA, pension plan etc., which all add up to make this an attractive and important appointment. Applications from both men and women should be made by writing or telephoning for a Personal Summary Form quoting reference 1616.

Harry Guy Associates
RECRUITMENT ADVISERS
West End House Hills Place London W1R 1AG
Telephone: 01-439 3084

Manager

Securities Accounting Department

c£23,000 + car + mortgage allowance Herts

This is an exciting career opportunity for an experienced Accountant to join Canada Life – a truly international organisation spanning the worlds of finance, investment and personal insurance.

Candidates will be professionally qualified, with knowledge and experience of investments (including fixed interest, equities and properties), accounting, taxation and unit trust administration. Main responsibilities will involve recording and controlling all UK and Irish investments and unit trusts, safeguarding investment assets and preparing data on investments. Additionally, you will be controlling unit linked funds, ensuring efficient investment, and producing timely and accurate reports on unit prices. We are currently upgrading and improving our securities management and accounting systems and, as you will be acting as project leader and a member of the steering committee, a mature and logical approach and first-class communication skills are essential.

With a team of around 8, you will need the managerial ability and experience to lead and motivate your staff and ensure the smooth running of the department.

The rewards are excellent. We offer a competitive salary, company car, mortgage allowance, BUPA, non-contributory pension scheme and assistance with relocation expenses where appropriate.

Please write with full personal and career details, or telephone for an application form, to: Carol Pritchard, Personnel Manager, Canada Life Assurance Co., Canada Life House, High Street, Potters Bar, Herts EN6 5BA. Tel: Potters Bar (0707) 51122.

Canada Life
your friend for life

Director of Finance

West Midlands — **c £40,000 + car + options**

For a progressive and highly regarded retailing organisation which is one of the UK market leaders in its specialist field. Backed by a major public group, it has an exceptional record of growth. In the last two years annual sales have doubled to over £150 million. The company plans further rapid expansion.

Promotion within the group has led to this opening. There is a strong finance function, and on-line computer systems using advanced point of sale technology have recently been introduced successfully. You will manage this new phase of systems development and play a key role in the commercial direction of the business. Other areas of emphasis will be financial planning and forecasting, supplier invoice processing and control, and the monitoring of capital expenditure.

Probably in your thirties or early forties, you will be a qualified accountant with good quality commercial and systems experience. A background in retailing would be an advantage and you will already be working at or near board level. There are excellent prospects for career progression within the group and a first class benefits package, including relocation.

Please write in confidence to John Cameron, quoting reference CF847, at 84/86 Grays Inn Road, London WC1X 8AE (telephone 01-404 5971).

CAMERON · SIMPSON
Consultancy · Search · Selection

Second Thoughts About The City?

West End — **c. £20,000 + benefits**

This unique opportunity would ideally suit a newly qualified chartered accountant, who has contemplated a career in the City, but is now having a change of heart in the light of recent developments.

Our client is a well-known household name in the retail sector. Having recently undergone a major transformation its new management is now actively developing an aggressive presence within the sector.

With a view to developing broad multidiscipline financial services experience, the role is based within the head office treasury function, with initial responsibility to assist the group tax manager in establishing a new compliance and tax planning function.

The role will expand to cover treasury and other related financial service areas such as insurance, credit card and leasing activities.

Having qualified with a major firm, a first class technical and professional background is required. The successful candidate will demonstrate strong inter-personal skills enabling him/her to deal at all levels within a demanding commercial environment.

For further information call Melanie Rosling on 01-831 2000 (evenings and weekends 01-341 4028) or write to her at the Taxation Division, Michael Page Partnership, 39-41 Parker Street, London WC2B 5LH.

Michael Page Partnership
International Recruitment Consultants
London Bristol Windsor St Albans Leatherhead Birmingham Nottingham Manchester Leeds Glasgow & Worldwide
A member of Addison Consultancy Group PLC

MANAGEMENT ACCOUNTANT

London & Metropolitan plc

c£22,500 + car + bonus

A highly regarded property group, **London & Metropolitan plc** has an impressive performance record. The group is forecasting further growth – both organically and possibly through acquisition.

Based in Richmond, the Management Accountant will join a small high profile financial team responsible for the development, interpretation and presentation of essential business information. With an emphasis upon the review and analysis of project profitability, he or she will prepare budgets, plans and forecasts. Working closely with and influencing commercial managers, the Accountant will be ideally placed for increased responsibility within this fast expanding and entrepreneurial environment.

In their late 20s, applicants should be qualified accountants from commerce or the profession. Analytical ability and good interpersonal skills are necessary.

Please write, enclosing a career/salary history and daytime telephone number, to David Hogg FCA quoting reference H/633/TF

LLOYD MANAGEMENT

LLOYD MANAGEMENT Selection Consultants 125 High Holborn London WC1V 6QA 01-405 3499

Recently Qualified Accountants

FASHION YOUR FUTURE

Package to £30K — **Based C. London**

This exciting retail group continues to enjoy unequalled levels of success throughout Britain's high streets. Opportunities now exist for recently qualified accountants to join them in probably the most exciting and challenging area of accountancy.

Assisted by sophisticated real-time computer systems, you will assume responsibility for assessing the financial implications and viability of a broad range of business issues and ventures, including:-

- ☐ Product launches
- ☐ Store development
- ☐ Acquisitions
- ☐ Business performance

These high-profile positions offer extensive exposure to the highest levels of management and all aspects of the group's activities. As a result, success in these roles will represent the first step in a rapid career progression path.

To learn more about these exceptional opportunities, please contact Charles Austin or Philip Price ACA, Mervyn Hughes International, Management Recruitment Consultants, 63 Mansell Street, London E1 8AN. Telephone 01-488 4114.

EXECUTIVE JOBS

YOU EARN OVER £25,000 P.A. AND ARE SEEKING A NEW TOP EXECUTIVE APPOINTMENT

In the accountancy or financial field Connaught's team of professionals, all of whom have had experience at managing director level, can help you.

Connaught's successful Executive Action Plan helps you find appointments quickly and discreetly, particularly in the area of unadvertised vacancies.

Contact us for an exploratory meeting without obligation.

If you are currently overseas, ask for our Executive Expat Service. 32, Savile Row, London W1X 1AG. Tel: 01-734 3879.

Connaught

Finance & Administration Manager

Reading

To £29,000 + Car + Insurance Benefits

Our Client: is a well-established insurance company that has in recent years enjoyed substantial growth through the transaction of non-life insurance business in the UK and overseas.

The Position: as part of the executive team, reporting to the General Manager, the Finance and Administration Manager will play a crucial role in the development of company strategy. His/her specific responsibilities will cover management and statutory accounting functions, treasury activities and personnel and administrative matters.

Candidates: should be qualified accountants, ideally with experience in a general insurance company. An involvement in computerisation should be an element of that experience: proven managerial ability is an essential attribute.

Salary and Benefits: in addition to the salary level quoted, the benefits are generous, including a fully-expensed car, mortgage subsidy, medical insurance, non-contributory pension and a relocation allowance where appropriate.

Applications please, in confidence, quoting Ref: 321 FT to

AHA Consultants
4/5 De Walden Court
85 New Cavendish Street
London W1M 7RA

Chief Accountant

City of London

£25,000 p.a. plus car

Our client, a small, well-established financial services group, is looking for a Chief Accountant to maintain a conventional range of company and client accounts at its City Head Office.

The post calls for a qualified Accountant whose experience of investment and of banking is matched by mature judgement, steadiness and reliability. The range of important internal and external contacts requires good personal presentation and confidence.

Applicants are asked to apply in writing, quoting reference 1515 and giving details of current earnings and a daytime telephone contact, to:-

BinderHamlyn MANAGEMENT CONSULTANTS
Trevor Austin, Executive Selection Division
Binder Hamlyn Management Consultants
8 St Bride Street, London EC4A 4DA

The Bank of Bermuda Limited.

Accounting Opportunities

Bermuda

The Bank of Bermuda Limited is an international banking, trust and investment management organization with over $3.5 billion in assets and 1200 staff in 5 locations worldwide. The Internal Audit Department plays a key role in the Bank and provides an excellent opportunity to develop an in-depth knowledge of banking and investment activities. An interesting and innovative approach to auditing is followed involving analytical and systems-based audits and the use of the latest auditing techniques, such as CAAT's and risk analysis.

Internal Audit Officer

The Internal Audit Officer reports to the Head of Internal Audit and has responsibility for much of the day-to-day management of the financial, operational, trust and EDP audit functions. A considerable amount of time will be devoted to the planning and review of assignments and the management and supervision of staff.

The successful candidate will be a Chartered Accountant with at least three years' post qualification experience. He/she should be in a management position at present and should have considerable experience of systems-based auditing. Experience of banking and EDP auditing is also desirable.

EDP Auditor

The EDP Auditor, reporting to the Internal Audit Officer, will have operational responsibility for monitoring systems development projects, performing technical environmental audits and specific EDP application audits. He/she will be expected to contribute to the general development of the EDP audit function and to promote its integration with non-EDP aspects of auditing.

The successful candidate will have a programming background as well as accounting and bank auditing experience and should also be familiar with systems development methodology.

The Bank of Bermuda offers a competitive tax-free salary and a comprehensive benefits package.

If you are interested in finding out more about these positions, please contact: **Warwick Holland on 01-831 0431 (evenings 01-785 2747)**, or write, enclosing full CV to: **Michael Page International, 39-41 Parker Street, London WC2B 5LH.**

Michael Page International
Recruitment Consultants
London Amsterdam Brussels New York Paris Sydney
A member of Addison Consultancy Group PLC

Divisional Accountant

"Fast track opportunity for a young accountant"

c.£25,000+Car — **Central London**

Our client is the leading independent computer services company in the U.K. The company operates in a broad range of markets and has established a wide and prestigious customer base. Success is clearly illustrated by a phenomenal growth record – averaging 25% per year – and an impressive profit performance. Further organic growth is planned and this will be supplemented by strategic acquisitions which will complement and enhance existing operations.

Organised divisionally on a profit centre basis, units have substantial autonomy and highly developed commercial awareness. Reporting to the Group Financial Controller, the appointee will take responsibility for the management accounting of two divisions preparing, presenting and interpreting information to tight deadlines. Specific areas of concentration will be divisional forecasting and the review and development of financial controls and procedures.

Candidates will be qualified accountants probably aged 27-30 and with at least two years post qualification experience. Whilst a specific industry background is not required, the appointee must have a strong commercial sense and a pro-active, shirt sleeves approach to the role which will establish the individual as a business partner who can contribute to the further development of the company. This is a high profile role in which success will bring recognition and early opportunities to progress further either within the function or into line management.

Please apply in confidence, giving concise career, personal and salary details, to: **Brendan Keelan, Ref ER 966, Arthur Young Corporate Resourcing, Citadel House, 5-11 Fetter Lane, London EC4A 1DH.**

Arthur Young Corporate Resourcing
A MEMBER OF ARTHUR YOUNG INTERNATIONAL

GIVE ME AN OUTLINE OF A CAREER IN MANAGEMENT CONSULTANCY.

Variety: the spice of business life!

As a young, qualified accountant or economist you'll recognise that variety is essentially the difference between enjoying your work and merely tolerating it.

Since you wouldn't be reading this if your situation was the former, let's give you an insight into the range of work you might expect in a major international consulting practice.

For example, you might be part of a team advising on a privatisation, a merger review or an acquisition study. Or, you may be expressing a view on a major organisation study, a management information system, or the profitability of a bank, venture capital company or newspaper publisher. On the other hand you may be developing a business strategy and corporate plan for a multinational, or carrying out a new venture feasibility study involving novel use of computers.

Whatever the project, a future in management consultancy requires your clear, objective approach to practical problem solving. It also demands a career record showing evidence of positive achievement in commerce, industry, or the public sector. And of course a commitment to consistently high work standards.

VARIETY

So, the questions are: would you welcome the opportunity to broaden your commercial or industrial shoulders? Would you risk facing constant change and challenge? Would you enjoy more direct responsibility and a greater stimulus for your developing intellect?

The environment like yourself, is open and informal, dynamic, thrusting, and growing fast. Show us a good first degree supported by an MBA or an appropriate professional qualification and you could negotiate a salary up to £40,000 plus a car. There are also genuine possibilities of partnership in around three years.

If you've liked our outline send us your outline. As the company's selection advisers we'll arrange a confidential discussion – quickly.

John L. Thompson
(Ref: 1213),
Thompson Associates Ltd.,
Compton House,
20A Selsdon Road,
South Croydon,
Surrey CR2 6PA.

TAL
THOMPSON ASSOCIATES LIMITED

CHIEF ACCOUNTANT

SW London **c. £23,000 + car**

OUR CLIENT is a member of a leading UK industrial services and distribution group.

THE ROLE is to head up the accounts department. Reporting to the Finance Director, the Chief Accountant will be responsible for all accounting matters and for managing a department of about 40 staff in a fully computerised accounting environment.

THE REQUIREMENT is for a vigorous young qualified accountant who is striving to progress a career in a demanding commercial organisation. Total familiarity with computerised accounting systems is essential.

THE REMUNERATION PACKAGE will include a salary of about £23,000 plus a 2 litre car. Career prospects within the Group are excellent.

Please reply in complete confidence enclosing a CV and quoting reference no 168A to the Managing Director

Tanstead Associates Ltd
Executive Search & Selection
West End House, 11 Hills Place, London W1R 1AG
a member of the Tanstead Professional Group

CHIEF INTERNAL AUDITOR

London W.1. c.£25,000

Our clients are a substantial and well established London based company providing a service in the procurement of supplies and staff required by a number of oil exploration and processing companies operating on-shore and off-shore.

They now seek to recruit an experienced chartered accountant to run and develop the internal audit function with responsibility to the Chief Executive. The main areas to be covered include systems improvement, reviews of performance in accordance with agreed contract terms, the evaluation of the reliability and accuracy of accounting records and the conduct of special investigations as and when required.

Candidates should be chartered accountants with substantial audit and accountancy experience in the profession and in commerce, preferably in the oil industry. They must be mature, experienced, independent and have complete integrity.

Please write in confidence with full career details, quoting reference 2402, to John W. Hills.

KPMG Peat Marwick McLintock
Executive Search & Selection
9 Creed Lane, London EC4V 5BR.

Move your fast track record up a gear

Surrey **Package up to £35,000**

- Blue Chip Environment
- Project Assignments
- Problem Solving
- High visibility role
- Age: Ideally late 20's
- Some Overseas Travel

Our client, a Blue Chip multinational, is seeking a high calibre accountant to join an influential team at their Corporate Headquarters.

The work is purely project driven and will encompass such diverse areas as developing information systems and advising on the business implications of accounting policy. A challenging role in an international environment, it will take you upwards through the Group if you can meet the demands with a creative and practical response.

You should have a good degree and be either a "Big 8" trained ACA or have qualified as a CACA or CIMA in a prestigious organisation. You must be able to demonstrate commercial awareness, technical strength, computer literacy and the ability to present cogent information to executive management.

If you are bright, persuasive and practical with the flair to reach the top, send a detailed CV in strict confidence to **Malcolm Edgell BSc FCA or Pippa Curtis BA at Douglas Llambias Associates, 410 Strand, London WC2R 0NS. Ref 8146.**

FINANCIAL & MANAGEMENT RECRUITMENT CONSULTANTS
DOUGLAS LLAMBIAS
LONDON LIVERPOOL MANCHESTER ABERDEEN EDINBURGH GLASGOW
DOUGLAS LLAMBIAS ASSOCIATES LIMITED, 410 STRAND, LONDON WC2R 0NS
TELEPHONE: 01-836 9501

Head of Finance – Europe Hi-Technology

Thames Valley **c £35,000 + Car**

Our client is a highly successful international subsidiary of a large publicly quoted American company.

The company specialises in sophisticated electronic engineering and has a turnover in excess of $10 million and a growth rate of 25% p.a.

They are seeking to recruit a Head of Finance to be based at their European headquarters in Berkshire. Responsibilities will include assisting the Managing Director in evaluating acquisitions, further developing management information systems and managing a department of five staff in providing financial and management accounts.

The successful candidate will be a qualified accountant aged 28 to 35 and intelligent, assertive but diplomatic, to meet the challenge of a sales-driven environment. Knowledge of French and German and exposure to US accounting practices would be an advantage.

Interested candidates should write, enclosing a comprehensive curriculum vitae and quoting ref: 466, to **Philip Rice MA, ACMA, Executive Division, Michael Page Partnership, 39-41 Parker Street, London WC2B 5LH.**

MP
Michael Page Partnership
International Recruitment Consultants
London Bristol Windsor St Albans Leatherhead Birmingham Nottingham Manchester Leeds Glasgow & Worldwide
A member of Addison Consultancy Group PLC

Group Finance Director

London **c £40,000 + Benefits**

Our client is a private distribution and service group within the hi-tech information processing market, with an impressive growth record to date. Annual turnover now exceeds £20 million, and success is firmly based on commitment to a high quality of customer service provided by professional and highly motivated employees. It is envisaged that the group's continued expansion will result in a flotation within 3 years.

A Group Finance Director is sought to join the Board with executive responsibility for the group's finance and administrative functions. A primary task will be to improve the financial control and reporting throughout the group in order to increase profitability and ensure it is in a position to achieve its medium-term objectives.

The successful candidate will be a qualified accountant aged 30-40 ideally from a sales and distribution background. Strong technical, interpersonal and managerial skills are sought, and experience of corporate funding would be a distinct advantage. Other characteristics should include energy, commitment and a sense of humour.

If you possess the qualities our client seeks, please write to **Barry A. Ollier ACA, Executive Division** enclosing a comprehensive CV to **39-41 Parker Street, London WC2B 5LH** quoting ref. 467.

MP
Michael Page Partnership
International Recruitment Consultants
London Bristol Windsor St Albans Leatherhead Birmingham Nottingham Manchester Leeds Glasgow & Worldwide
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Accountancy Personnel

Placing Accountants First

alphameric

MANAGEMENT ACCOUNTANT

Hampshire **Package c £19,000 + Excellent Benefits**

Alphameric Keyboards, part of the highly successful and fast-moving Alphameric Group, will shortly be opening a major new production facility in central Hampshire and are seeking a high-calibre qualified accountant to join the management team.

Reporting to the FD, the successful applicant will possess strong interpersonal skills and a proven record in a manufacturing environment. Responsibilities include the development of comprehensive Management Information Systems to support the requirements of sustained company growth.

A highly competitive remuneration package is offered along with relocation expenses, where necessary, to the new appointee.

For further details, please contact:
Accountancy Personnel,
12/14 Church Street,
Basingstoke,
Hants,
RG21 1QH.
Tel: 0256 461133

TKR INTERNATIONAL LIMITED

Welwyn Garden City

c £18,000

MANAGEMENT ACCOUNTANT

This dynamic subsidiary of an expanding public group has achieved a progressive record of growth and expansion through the supply and manufacture of components to the aviation and aerospace industries. The continued development of their impressive client base, which includes all the major UK and principal European market leaders, has led to the need for a "top-notch" management accountant.

This exciting opportunity would suit a young, newly qualified accountant, preferably CIMA, with a background of experience gained within a manufacturing environment. Reporting to the Financial Director, this is an exacting and active role, demanding 100% commitment and ability to make decisions as part of the senior management team. Key duties include, preparation of financial and management accounting information, extensive involvement in costing, budgeting and forward planning in addition to development of the computerised systems.

The ideal candidate will be offered unlimited scope for career progression and an excellent benefit package.

For further details, please contact:
Accountancy Personnel
10 Station Road,
Watford,
Herts,
WD1 1EG.
Tel: 09232 28332.

SENIOR ACCOUNTANT
Abu Dhabi
Salary PD.STG.30,000 Free of Tax + Substantial Benefits

A leading public sector Financial Institution requires one Senior Accountant for its Finance Department in Abu Dhabi.

The Institution concerned is actively involved in worldwide securities and other Investment on a large scale. The organisation uses sophisticated investment techniques and employs the latest data processing and communications technology.

The candidates appointed will assist the existing management accounting team in the Finance Department in the following projects:—

1. The development of management information reporting systems.
2. The development of performance analysis and other management reporting *techniques and*
3. Preparation of annual budget and budgetary control.

Scope for personal initiative and creativity is high. Duties will involve extensive contact with Directors and Managers and the position offers first class experience.

Candidates should be qualified Accountants aged between 28-35 with good academic record. Relevant professional experience gained either in a leading international audit firm or directly in an Investment Bank or other major institution is essential. Energy, creativity and tact are key personal requirements.

The candidates will be required to live in Abu Dhabi on married or single status. The remuneration package offered includes a substantial salary, transport allowance, furnished accommodation inclusive of all service, 45 days leave per annum, annual return airfares to place of origin, free health care, assistance with education of dependent children and a substantial terminal gratuity. Salary and benefits are at present free of all taxation.

Please send full career details to:—

The Director, 18th Floor, 99 Bishopsgate, LONDON, EC2M 3XD.

Interviews will take place in London and in Abu Dhabi in November 1987 or December 1987.

Internal Auditor

International role Bedford based

Our client is the European subsidiary of a $5 billion turnover, high tech. organisation. Their success is built on an informal, open management style that has created an exciting commercial environment where career prospects are outstanding.

As a young qualified accountant with two or more years post qualification experience, preferably in audit, you are now looking for international experience. This role, with the small European Audit team, is responsible for the operational and DP auditing at Company sites in Europe, the Middle East and Africa.

As an internal consultant, you will be expected to plan and manage your audits, present your results and make recommendations at the highest level. Substantial travel will give you a unique breadth of experience.

An attractive benefits package including relocation expenses is provided. A full information pack has been prepared. Please telephone John Brooks on 01-989 8342 lines are open till 8.30pm or write enclosing your CV to: PSN Recruitment Services, 1 Cambridge Park, Wanstead, London E11 2PU.

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HEAD OF GROUP ACCOUNTS

Substantial Salary + Car · Haywards Heath

The recent merger between Bain Dawes and Clarkson Puckle has created a major international insurance broking group. Building on our long established reputation for quality and integrity, we are committed to a programme of significant and sustained growth, in which the Head of Group Accounts will make a positive contribution.

Operating at Managing Director level and reporting to the Main Board Finance Director, the successful applicant will be responsible for the smooth running of all accounting services provided from Haywards Heath. The main responsibilities will be:

- Effective line management of some 150 local staff and functional responsibility for accounting staff in provincial offices throughout the U.K.
- Planning of work to meet strict timetables for group statutory and management information, insurance accounting and treasury function.
- Enhancement of accounting systems.

The successful applicant who must be a qualified Accountant will also have the ability to work closely with entrepreneurial Managing Directors working under intense pressure.

It is unlikely that anyone aged under 40 would have the necessary maturity and experience for the post.

In addition to an excellent remuneration package, generous relocation assistance will be provided where necessary.

Applicants should write, together with a full CV, to:
Mr. P. K. McDermott, Group Personnel Director,
Bain Clarkson Limited, Bain Dawes House, 15 Minories,
London EC3N 1NJ.

BAIN CLARKSON
INTERNATIONAL INSURANCE BROKERS

Assistant Treasurer

Surrey

Up to £30,000 + Car + Benefits

Our client is a major international group in the branded consumer products sector. The group is highly profitable and is seeking to diversify into related areas.

It is now seeking to expand its Treasury Department with the appointment of a high calibre Assistant Treasurer, in order to develop the treasury management operations within the group.

The position reports to the Group Treasurer and you will be involved particularly in the financing of the group in the UK and overseas, the improvement of cash management/money transmission methods and the conduct of banking relationships.

Suitable candidates will be aged up to 35 and are likely to be university graduates. An accountancy qualification and relevant treasury management experience are essential, together with strong interpersonal skills and initiative.

If you have the skills and ambition to succeed in this role, please write or telephone enclosing full resumé quoting Ref: 151 to:-
Nigel Hopkins FCA,
97 Jermyn Street,
London SW1Y 6JE.
Tel: 01-839 4572

Cartwright Hopkins
FINANCIAL SELECTION AND SEARCH

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Tessa Taylor
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Paul Maraviglia
ext 4676
Elizabeth Rowan
ext 3456
Patrick Williams
ext 3694

ACCOUNTANTS A Better Way to Move

Landsdowne Appointments Register now have vacancies in London and throughout the country for Accountants aged 21-40 years. NOW SHORTLISTING Part Qualified, Newly Qualified, Management, Financial, Project and Chief Accountants and Financial Analysts.

Our proven, FREE service is the easy effective way to look around.

Contact us NOW on 01-743 6321, quoting reference FT1/10, or write enclosing your CV to:

Stuart Tait, Landsdowne Appointments Register, Park House, 207-211 The Vale, London W3 7QB.

Assistant Manager

Corporate Finance Settlements

PHILLIPS & DREW

Phillips & Drew Limited is one of the City's leading financial institutions, offering a wide range of services to its clients. One of the most rapidly developing areas is Corporate Finance.

Our expanding business has created an opportunity within the Settlements area for an Assistant Manager to be responsible for all aspects of New Issues Settlements. Candidates, ideally within the 20-30 age range, must have a minimum of 2 years' experience in Settlements, preferably gained in a supervisory capacity within a Corporate Finance Department. A working knowledge of The Stock Exchange Quotations Department would be an advantage.

The remuneration package includes a highly competitive base salary as well as bonus, mortgage subsidy and other generous benefits.

If you would like to apply, please send your C.V., or write or telephone for an application form to:

Sally Mew, Personnel Officer,
Phillips & Drew Limited, 120 Moorgate,
London EC2M 6XP
Telephone 01-628 4444 ext. 3132

A MEMBER OF THE UNION BANK OF SWITZERLAND GROUP

FINANCIAL MANAGEMENT CONSULTANTS

c.£22,000 + Car

Midlands and North

Our client is a major plc, with a turnover in excess of £2 billion, involved in activities ranging from the manufacture of high technology industrial products to brand name consumer goods. It is an innovative organisation that continues to grow both organically and by acquisition.

They currently seek high calibre young Financial Managers for their internal consultancy function, which provides in-house expertise in such areas as business planning and strategy, including acquisition appraisals. Other assignments might involve the improvement of management information systems or a secondment as Financial Controller of a subsidiary company.

Candidates should be qualified Accountants with a background in a Big Eight professional practice or a blue chip company. Previous experience of special projects or a proven track record within a line role is desirable although not essential. More importantly candidates must be able to demonstrate a combination of technical ability and commercial awareness coupled with effective interpersonal skills.

The group has an impressive record of promotions from the consultancy function and it is envisaged that the successful candidates will move into senior line positions within 1-2 years.

Interviews will be held in Birmingham and Manchester.

For further details please contact:

Angela Wright, Robert Half, Peter House, Oxford Street, Manchester M1 5AW. 061-236 0101 or 061-434 8429 (evenings and weekends).

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ROBERT HALF

Project yourself into an exciting new accounting role

London c£23,000

Our client is a renowned and well established consulting and project management company, employing mainly professional staff, and operating in the UK and overseas.

Sustained expansion of the business calls for the creation of a new post at the London head office, reporting to and understudying the Company Accountant. Immediate specific responsibilities will be for the further development and management of a purpose designed computerised project costing system, and the enhancement of monthly management reporting. There will be opportunities to broaden into other areas of financial management and control. This role will be crucial to the company's future prosperity.

Candidates should be qualified accountants with commercial experience in a computerised environment. Project costing experience would be an advantage but is not essential. This is an excellent opportunity for a lively and ambitious young accountant to make an immediate contribution to the company's success and gain invaluable professional experience.

Please apply with a full cv including current salary and a daytime telephone number, and quoting reference FT05, to

BinderHamlyn
MANAGEMENT CONSULTANTS
Roger Bull, Executive Selection Division
Binder Hamlyn Management Consultants
8 St Bride Street, London EC4A 4DA

COMPANY ACCOUNTANT

Luton Based up to £25000+car+benefits

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Your reply will be dealt with in strict confidence by **Lionel Rose at:**

BARCLAYS EXECUTIVE APPOINTMENTS
Morritt House, 58 Station Approach, South Ruislip, Middx. HA4 6SA.
Telephone: 01-842 1216 (24 hours)/01-842 0676.

BARCLAYS

Financial Controller

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Please write with full CV to Richard Miller, PER Management Selection, London House, 5 London Road, Maidstone, Kent ME16 8HR.

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If you would like an informal discussion about this post contact Simon Dow, the Group's Chief Executive. Otherwise, please reply with full career details to: Gillian Walton

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Applicants of either sex should apply in confidence to Bob Wilson on (0962) 844242 (24-hour service) or write to Johnson Wilson & Partners Ltd., Clarendon House, Hyde Street, Winchester, Hampshire SO23 7DX, quoting ref. 786.

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Mr R G Page
Chief Executive–Personnel
The BOC Group
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Financial controller

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Box A0712, Financial Times,
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SECTION II – COMPANIES AND MARKETS
FINANCIAL TIMES
Thursday November 12 1987

Southland fails again to raise $4bn in junk bond finance

BY ANATOLE KALETSKY IN NEW YORK

SOUTHLAND CORPORATION, the large Dallas-based owner of the 7-Eleven chain of convenience stores, has emerged as the latest casualty of the collapse of confidence of Wall Street.

The company failed for the second time to raise $4bn in bank and junk bond finance needed to complete a controversial leveraged buyout by the founding Thompson family.

The failure marks a financial setback which could have costly and embarrassing implications not only for Southland, but also for its lead investment bankers, Goldman Sachs and Salomon Brothers, and the whole junk bond market.

The $1.5bn Southland bond offering had been viewed as a touchstone of the continuing liquidity of the junk bond market after last month's financial crash.

Salomon and Goldman's decision to withdraw the offering "on the basis of current market conditions" leaves them seriously exposed to any financial difficulties which Southland might face.

Goldman and Salomon had advanced $600m between them to the Thompson family as part of the finance for the Southland leveraged buyout. Repayment of that "bridge loan," as well as a $2.1bn "tender offer purchase facility" from five commercial banks led by Citicorp, depends on the company raising permanent financing by February 28 next year.

The two investment banks' bridge loans rank below the commercial bank financing in terms of their security against Southland's assets, and the size of this exposure has caused some concern among Salomon and Goldman shareholders and partners.

AT&T boosts spending

BY RODERICK ORAM IN NEW YORK

AMERICAN Telephone and Telegraph (AT&T) announced yesterday a sharp acceleration of its expansion plans for its worldwide digital long-distance telecommunications network.

It now hopes to almost double the network from its existing 45,000 route-miles to 88,000 by 1991, against the previous goal of 74,000 miles announced last January.

Capital spending on the system will increase from $2.5bn to $3bn a year in 1988 and 1989.

Given favourable market conditions and the potential for healthy financial returns, AT&T expects to maintain the level of capital spending in subsequent years.

By 1991, about 67,000 miles will serve 400 cities in the US, against 300 at present, with the remainder of the network serving key points in Europe, the Far East and the Caribbean.

AT&T said that demand for digital services for data, voice and video transmissions was growing at about 20 per cent a year.

O&Y lifts stake in property developer

By David Owen in Toronto

OLYMPIA & YORK, the privately held property and resources empire controlled by Toronto's Reichmann brothers, has boosted its stake in Campeau, the Canadian property developer, to about 8 per cent of outstanding subordinate voting shares through the purchase on Tuesday of 240,000 such shares.

In addition, the company ventured into the bond market to buy C$500,000 (US$378,000) principal amount of 7.5 per cent Series A Campeau convertible subordinate debentures, which are currently convertible at C$31.50 per subordinate voting share.

Besides its November 10 purchases, Olympia & York said it also owned 3.47m subordinate voting shares and C$28.7m principal amount of debentures. At last report, there were about 44.3m Campeau subordinate voting shares outstanding.

The company said the acquisitions were made for investment purposes. Depending on prevailing market and economic conditions it added, it "may increase its investment in Campeau in the open market, by privately negotiated transactions or otherwise."

On the Toronto Stock Exchange on Tuesday, Campeau shares closed up C$⅜ at C$14, well below the rate at which the debentures held by Olympia & York are convertible.

James Buchan and David Owen on obstacles in the way of a $9.95bn sell-off

Price likely to derail Santa Fe's cash sale

A WEEK AGO, quietly and without fanfare, a substantial piece of the US came up for sale.

For collectors of large-scale Americana, the auction is very important: it includes vast tracts of western desert and grazing land, stands of timber and reserves of oil, gas and coal, four pipelines, two railways, a section of down-town San Francisco and such oddities as a leasing company and a construction business.

The only drawback is the price. The Santa Fe Southern Pacific Corporation is asking $9.95bn for its assets, every last dollar of that in cash.

The transaction would dwarf any ever attempted outside the elephantine oil-industry mergers of the early 1980s. Even before the US capital markets slid into chaos on October 19, the deal would have been tough to finance. Since October 19, it has looked next to impossible.

This week's failure by the founders of Southland, a Texas convenience store chain, to raise a mere $1.5bn in bonds to pay for taking the company private shows just how chary US investors have become of financing corporate takeovers.

But with Santa Fe, the scrap value of the assets may just make the deal possible. Two formidable groups of businessmen – Mr Michael Dingman's Henley Group and the Reichmann family of Toronto – have been taking a hard look at Santa Fe. And there could be a third party, Mr Tony Hatch, a stock analyst at the Wall Street firm of Argus Research, believes.

Santa Fe, which last year reported net income of $297m, on revenues of $5.6bn, began life as the Atchison, Topeka and Santa Fe railway, just before the Civil War, and flourished by transporting cattle brought by Texas cowboys to the railhead at Dodge City.

Mr Michael Dingman is chairman of Henley Group, one of two formidable groups of businessmen who have been taking a hard look at Santa Fe, which last year reported net income of $297m. The other is the Reichmann family of Toronto. But as recent events have shown, investors have become chary of financing corporate takeovers.

As the railway pushed its way west, it received so much land in the form of federal grants that it eventually became more a natural resource and property company than a railway.

By 1980, it had shrunk to a high-cost transporter of coal and grain, but the company was still flourishing.

That year, Santa Fe's management made a disastrous mistake. As deregulation swept the railway industry, the group tried to merge with the ageing Southern Pacific, whose 13,000 miles of track run parallel to large stretches of the 11,000-mile Santa Fe line.

The merger was completed in 1983, but was never approved in Washington. After three years of painful hearings, the Interstate Commerce Commission threw out the merger as uncompetitive.

Last July, the company was ordered to dispose of one or other of the railways. The commission's ruling left Santa Fe in chaos – and dangerously vulnerable. Its chairman, Mr John Schmidt, resigned in disgust.

The group duly solicited offers for the barely profitable Southern Pacific railway and last month said it had received seven proposals, from other operators and even labour unions, ranging in price from $750m to $1.5bn.

To head off an increasingly vocal constituency of shareholders, led by Henley with more than 5 per cent and the Reichmanns with more than 6 per cent, Santa Fe's new chairman, Mr Robert Krebs, announced plans to repurchase about $3bn in stock and to sell off half a dozen modestly profitable businesses.

Then the stock market crashed, taking much of the restructuring plan with it. The buyers for Southern Pacific have apparently shrunk to four, including unions and management and the nearby Kansas City Southern railroad.

Henley bought depressed Santa Fe stock in the market to raise its stake to 14.7 per cent. And in a dramatic turnround last week, Mr Krebs challenged both Henley and the Reichmann brothers to come up with cash offers of $63 a share for the entire company.

Both groups are well-capitalised. Henley is a most unusual company, modern America's nearest equivalent to the "blind pools" that so enticed investors in the 1920s.

It consists of a string of dim businesses in such areas as waste-treatment and soda ash, detached from the Allied Signal conglomerate a year ago to act as a platform for the deal-making abilities of Mr Michael Dingman, Henley's 56-year-old chief executive.

"Dingman's dogs" was Wall Street's nickname for the company when it was floated publicly in May 1986. But investors' enthusiasm ran wild.

Mr Dingman raised $1.18bn in investors' money – in spite of stating unequivocally in his prospectus that "Henley has no specific plan for use of such proceeds." This year, the surfeit of capital has been something of an embarassment.

In July, Mr Dingman announced plans to buy back $700m of the new stock. But the company has already sunk more than $1bn into Santa Fe shares and could probably draw on credit lines of $2bn or more: enough to pick up parts of Santa Fe, if not the whole thing.

Santa Fe said last week that Henley had offered $63 a share, but only in the form of cash and securities – and the company was looking for cash only.

The Reichmanns' company, Olympia & York Developments, is not even publicly quoted. But with nearly 10 per cent of Manhattan's premium office space, the Toronto group is the largest real estate developer in North America.

The group is run by three devoutly orthodox and intensely private brothers – Albert, Paul and Ralph. Starting with their first plot of land in 1965, they scored a notable coup by buying into Manhattan at the time of New York's near bankruptcy: their $350m investment is thought to be worth nearer $3bn now.

Making full use of the $800m or so which their buildings are said to generate in annual cash flow, the Reichmanns have diversified outside North America, with London's Canary Wharf project, and into other fields, such as natural resources.

These diversifications culminated in two ambitious recent takeovers, valued at C$6bn (US$4.6bn) in total – Gulf Canada, the country's 20th-largest company, and Hiram Walker, the distilling and energy group.

The Reichmanns are thought to be primarily interested in Santa Fe's property; not so much the 3m acres of farmland, range and desert as some 28,500 acres of commercial and industrial real estate and, above all, the 208 acres of the Mission Bay district of down-town San Francisco.

The properties yielded $322m in income and gains last year, which would put a value of about $5bn on the estate.

But the Reichmanns' other holdings, such as a controlling stake in Abitibi-Price, the newsprint producer, and 41 per cent of the Interprovincial Pipeline, give them significant overlap with Santa Fe's timber and natural resource businesses.

"Olympia & York is knowledgeable in four of the main businesses which Santa Fe has," the company said in Toronto this week.

Whether the Reichmanns can muster an offer for the company is open to question.

Wall Street's arbitrageurs have been so badly battered in the past month that they are hedging their bets. Santa Fe's stock was trading yesterday at about $51. This does not suggest that a cash offer of $63 is in the offing.

Jacobs Suchard sees strong growth

By Our Zurich Correspondent

JACOBS SUCHARD, the acquisitive Swiss coffee and chocolate concern, yesterday forecast a 5 per cent increase in sales for this year and said that profits would improve markedly.

According to Mr Charles Gebhard, a board director, profits for for 1987 were heading for an increase of between 30 and 40 per cent. Last year net earnings totalled SFr191m ($140m).

During the first half of this year group turnover increased by 14.5 per cent to some SFr2.9bn, with net earnings about 30 per cent ahead.

The sales growth reflected a series of acquisitions, including the integration of Monheim, the German chocolate company, and a string of takeovers including E.J. Brach, the Chicago-based confectionery group, and Cote d'Or, the Belgian chocolate group.

Paul Betts on the French appetite for management takeovers

Paris gets a taste for buyouts

LEVERAGED MANAGEMENT buyouts (LMBOs), or *reprise d'entreprise par ses salaries (RES)* as the French prefer to call them, have started to make serious inroads in French business. France is still about two years behind the UK in this field according to French LMBO specialists. But the number and size of management buyouts has been steadily rising.

The French Government, which has recently amended LMBO legislation to make management buyouts more attractive and quicker to put together, has privatised the Institut de Developpement Industriel (IDI), the state financial institution specialising in venture capital and capital development operations, through a FFr1.48bn ($261.8m) LMBO this summer.

At the same time large French groups have increasingly turned to LMBOs to spin off small or medium-sized non-strategic subsidiaries to their managers rather than sell them to competitors. This has been the case in respect of the Thomson defence and electronics group and the Saint-Gobain pipes and glass concern, among others.

Other LMBOs have involved the SMT-Goupil microcomputer group and Jeanneau, a leading manufacturer of pleasure boats. But an even more significant LMBO has just been completed involving Allevard Industries, a steel spring manufacturing subsidiay of Valeo, the French car components group.

Mr Michel Guillet, who has just opened an office in Paris for Baring Capital Investors, the subsidiary of Baring Brothers which specialises in LMBOs, says the Allevard operation he helped engineer could boost the image of LMBOs in France by showing they could profit both the buyers and the sellers. The operation has also given Baring a good start in the fledgling French LMBO business.

Up to now, LMBOs have suffered from a somewhat negative image - they were seen as providing a solution for the problems of lame duck companies. "But I think with Allevard we have shown that it can be a profitable operation involving a healthy concern," Mr Guillet explained.

Allevard, with annual sales of FFr800m and employing about 1,250, came into Valeo's orbit last year during the capital reconstruction of the car components group when it came under the management control of Mr Carlo De Bennedetti, the Italian entrepreneur. Since then, Valeo has been involved in major restructuring which has recentred the group round its core car components businesses.

Although Allevard was a profitable subsidiary, Valeo's new management was attracted by the LMBO proposal since it would enable the group to make a capital gain out of the operation as well as shed an operation which was not regarded as strategic.

With the LMBO involving nearly FFr300m, Valeo expects to make a capital gain of about FFr30m. The operation is also the biggest industrial LMBO in France, since the IDI buyout last summer did not strictly involve the buyout of a distinct industrial concern, but of an investment institution.

Mr Guillet expects more operations of this kind to take place in France as large groups continue to rationalise and recentre their operations. At the same time, LMBOs can provide a solution to eventual succession problems facing an increasing number of small and medium-sized enterprises in France.

A recent study by Afic, the French venture capital association, showed that as many as 10,000 small and medium-sized companies, employing between 50 and 1,000, had company chairmen who would be reaching retirement between now and the end of the decade.

Although LMBOs are clearly not the only solution for companies with succession problems, Mr Guillet suggests that a carefully prepared management buyout can provide an alternative to the sale, usually to a competitor, of an enterprise when a chairman or owner steps down

Baring Capital Investors with an LMBO fund of Ecu60m ($75m) is developing a specialised European approach to the management buyout business, Mr Guillet said. Apart from London and Paris, the specialised LMBO subsidiary of the British merchant bank is also opening an office in Munich.

Mr Guillet says that the Baring team of LMBO specialists are studying the possibility of mounting multinational LMBO operations in Europe. "I think you will start seeing big and complex LMBOs involving companies with subsidiaries in several different countries in coming months," Mr Guillet added.

Asea and Boveri approve merger

By Sara Webb in Stockholm and John Wicks in Zurich

ASEA OF SWEDEN and Brown Boveri of Switzerland yesterday approved the merger of their two companies.

Mr Percy Barnevik, Asea's managing director and group chief executive who will become president and chief executive officer of the new concern, told shareholders at Vaesteraas, Asea's headquarters, that the merger would have several advantages including lower production costs, a stronger position in Europe, North America and Asia, and a better use of resources for research and development.

However, he warned that the economic uncertainty of the last month - with the stock market crashes and fall in the dollar - made it difficult to evaluate how the heavy electrical engineering sector would be affected in future, given its dependency on high levels of investment.

At their meeting in Wettingen yesterday, Brown Boveri shareholders also approved a one-for-five rights issue of new bearer and registered shares. A similar issue of new participation certificates had been dropped earlier this week following the shakeout on the Swiss bourse.

The meeting was told that Brown Boveri was unlikely to achieve its declared goal of doubling profits this year. In August, Mr Fritz Leutwiler, board chairman, had repeated an earlier estimate that earnings should reach SFr200m ($146.6m) for 1987, compared with SFr96m

Although the company said that earnings would still show a substantial improvement over 1986 results, it explained that currency trends and growing uncertainty in the markets have recently diminished the prospects of success.

●Jelmoli, the department store group, expects to post good results in 1987 and 1988, Mr Carlo Magri, chief executive, said yesterday. Jelmoli, which recorded group net profits of SFr34.9m ($25.8m)in 1986, did not expect the recent shakeout on world stock markets to affect pre-Christmas sales, he said.

Mr Magri said Jelmoli was pursuing plans to acquire a company in a related field.

Montedison profits up 45% at nine months

BY ALAN FRIEDMAN IN MILAN

MONTEDISON, the Italian chemicals group which earlier this week decided to postpone a planned L1,028bn ($837m) rights issue because of conditions in the equity markets, achieved a 45 per cent rise in its net income for the first nine months of 1987, to L290bn ($238m).

The Milan-based group said its sales at the end of the third quarter totalled L9,305bn, broadly in line with the first nine months of last year. More than 50 per cent of revenues came from the chemicals division, about 23 per cent from energy, less than 10 per cent from pharmaceuticals and the rest from financial services and retailing.

Montedison yesterday released a statament denying any involvement in the recent foreign exchange scandal at West Germany's Volkswagen. The Milan group was responding to reports in the German press.

Forex chaos hits Novo in third quarter

By Our Financial Staff

NOVO, the Danish biotechnology group which specialises in insulin and enzymes, has shown a 12 per cent decline in nine-month pre-tax profits to DKr526m ($82.7m) and said that the upheaval in the foreign exchange markets was partly to blame.

Sales were 15 per cent higher than in the 1986 period at DKr3.6bn. Novo said the Danish kroner had risen by 6 per cent against the currencies of main customer countries.

However, Novo stressed that the pre-tax result for the second half as a whole was was likely to be maintained at last year's levels. Ferrosan, the pharmaceutical and vitamin company which Novo acquired at the end of last year, had increased its turnover by 15 per cent in the nine months.

Spanish insurer plans Pta4.8bn rights issue

BY DAVID WHITE IN MADRID

CORPORACION MAPFRE, the stock exchange-listed arm of Spain's Mapfre insurance group, plans to brave the market depression with a Pta4.8bn ($43m) rights issue at the end of the month.

The majority shareholder, Mapfre Mutualidad, a motor insurer, which has about 60 per cent, will guarantee the one-for-six issue. But Mr Ignacio Hernando de Larramendi, chairman of Corporacion Mapfre, said that "things would have to go very badly" on the market for Mapfre Mutualidad to have to increase its shareholding. Subscriptions are due to open on November 29.

The group said the move was aimed at financing expansion abroad, growth in the reinsurance, life insurance and consumer credit sectors, and the launching of a property arm.

Total premiums received by Mapfre group companies in the first 10 months of the year rose 46 per cent over the same period last year, to Pta56.7bn.

The company said it aimed to create a "bulwark" against the increasing penetration of the Spanish market by foreign insurers and to build up Spain's presence in the sector abroad. Following the recent setting-up of a Florida subsidiary, it said it has "advanced plans" for investments in Italy and Belgium.

Corporacion Mapfre said it had escaped the effects of the recent stock market slide since it had "practically no investments" in shares.

Linde expects sales increase

BY OUR FINANCIAL STAFF

LINDE, the West German industrial gas and mechanical engineering group, yesterday forecast an improvement in sales for 1987 despite a decline in turnover during the first nine months of the year.

The company said that 1987 group sales were set to rise by about 9 per cent despite a 6.7 per cent turnover drop in the first nine months.

According to Mr Hans Meinhardt, the chairman, full-year earnings were likely to be "wholly satisfactory" allowing the company to pay an unchanged dividend of DM12 per share.

Nine-month group sales fell to DM2.56bn ($1.54bn) from DM2.73bn a year earlier, but the booking of several large plant engineering orders in the fourth quarter is expected to boost full-year sales to about DM4.1bn. For 1986 turnover totalled DM3.9bn.

ERPM to raise further finance

BY JIM JONES IN JOHANNESBURG

EAST RAND Proprietary Mines (ERPM), the veteran South African gold producer, plans to raise further finance for its new shaft development and expansion.

Shareholders are to be asked to contribute R90m through a rights issue while the company's borrowing powers are to be lifted to R300m from R200m to provide bridging finance.

In 1985 the mine's geologists located an additional 34m tonnes of ore to be exploited from the new Far East Vertical (FEV) shaft system. The new shaft was to have been financed with R200m of state-guaranteed loans and the proceeds of a R47m rights issue in 1985 supplemented by operating profits derived from the mine's existing lower-grade ore.

In the event mining operations were affected by ground control problems and operating losses have swallowed a significant portion of the funds intended for the new shaft. Loss-making sections of the mine have already been closed to conserve cash and the intention now is to accelerate establishment of the FEV shaft and to advance the start of mining its ore by about eight months.

Underground evaluation has indicated an average grade of 7.9 grams per tonne (g/t) for the FEV ore rather than the 6.64 g/t estimated in 1985.

●Western Platinum, the Lonrho group's South African platinum mining subsidiary, increased production and turnover in the year to September and has started shaft sinking and construction of processing facilities to increase production by about 50 per cent by 1989.

Mill throughput increased to 2.27m tonnes in the past financial year from the previous year's 2.09m tonnes. Production of platinum group metals and gold in matte increased at a slightly lesser rate to 8,850kg from 8,257kg.

Turnover rose to R253.6m from R241.2m, but the increase was restrained by the rand's appreciation against the dollar. Nevertheless the year's pre-tax profit was R148.3m against R118.5m.

At present, emphasis is being placed on removing production bottlenecks which limit production. The new shaft and concentrator will allow the mine to extract and process an additional 80,000 tonnes a month of UG2 reef. Last year capital spending absorbed R48.1m of the year's R59m post-tax profit.

●Impala Platinum, South Africa's second largest platinum producer, has shelved plans for a R300m rights issue to provide some of the finance for the company's new R406m Karee mine. The issue was announced in the latter part of October and was to have been written by Gencor, Impala's parent company. It will be deferred until stock market conditions are deemed more appropriate.

Malbak and FVB post improved results

BY OUR JOHANNESBURG CORRESPONDENT

TWO BIG industrial holding companies in South Africa have produced sharply improved earnings as a result of restructuring programmes.

Malbak, which now embodies most of the Gencor group's industrial interests, doubled its turnover to R1.96bn ($1bn) in the year to August against R996m the preceding year, and produced pre-tax profits of R133.4m against R61.3m.

All of Gencor's industrial interests, with the exception of paper-maker Sappi, were taken into Malbak in a R900m paper deal in September. The transaction was backdated to June 30 which has resulted in two months' trading results of the new subsidiaries being included in Malbak's annual results.

Mr Grant Thomas, Malbak chairman, estimates that the consumer products divison would have contributed 21.8 per cent of operating income had it been consolidated for the full year. He estimates that the packaging and paper division would have contributed 20.5 per cent and that the engineering division would have provided 21.2 per cent of the operating income.

Net earnings rose to 56.2 cents a share from 38.6 cents and the year's dividend has been increased to 20 cents from 15 cents. Gencor has a 28 per cent direct stake in Malbak and controls a further 64 per cent of Malbak's equity indirectly through Malhold and Genbel.

Federale Volksbeleggings (FVB) meanwhile completed its rationalisation programme and restored all of its operating subsidiaries to profits in the half-year to September.

Each of the operating divisions increased its contribution to the consolidated attributable profit and the directors believe the trend will continue during the second half of the year.

Interim turnover rose to R1.36bn from R1.22bn and pre-tax profit was R86.6m compared with R48m.

FVB's principal operating divisions operate in the pharmaceutical, building materials, domestic appliances, retail, auto components and food sectors. The group is a subsidiary of Sanlam, South Africa's second largest insurance company.

Net earnings rose to 26.7 cents a share from 10.9 cents and interim dividends have been resumed with a payment of 6.5 cents. Last year's total earnings weer 38.4 cents and a final dividend of 8 cents was paid.

Record HK rights issue rejected by investors

BY KEVIN HAMLIN IN HONG KONG

THE BIGGEST rights issue ever mounted in Hong Kong, for HK$10.33bn (US$1.32bn) by Mr Li Kashing's group of companies, has been substantially rejected by investors in the aftermath of the crash of world stock markets.

Cheung Kong Holdings, Hutchison Whampoa, Cavendish International and Hongkong Electric yesterday announced that only 0.1 per cent to 0.36 per cent of the companies' rights had been subscribed to by the investing public.

This leaves the underwriters and sub-underwriters to digest nearly all of the HK$5.1bn which will not be taken up by Mr Li and his companies. Due to the steep decline of the local stock market, the underwriters' shares are now worth only some HK$3.7bn.

The five underwriters are Citicorp International, Wardley Corporate Finance, Sun Hung Kai International, CEF Capital and Paribas Asia. Several fund management companies had also subscribed heavily to the issue and now face the prospect of seeing some individual unit trusts substantially reduced in value.

Many analysts blame Mr Li's insistence on going ahead with the issue for the stock market's continued weakness. They say fund managers have been forced to dump other stocks in order to raise the cash to pay for the rights they had agreed to take up.

Investors subscribed to 0.1 per cent of Cheung Kong's HK$2bn issue, to 0.1 per cent of Cavendish's HK$2bn, to 0.34 per cent of Hutchison's HK$3.8bn and to 0.36 per cent of HK Electric's HK$2.4bn.

Subaru group net profits down 20% at midway

FUJI HEAVY Industries, the maker of Subaru brand motor vehicles, has reported that its unconsolidated net earnings in the six months ended last September 30 dropped 20.2 per cent from a year earlier to Y4.74bn ($35m) from Y5.94bn. Income per-share net fell to Y12.10 from Y15.64, **AP-DJ reports from Tokyo.**

Sales slipped 8.7 per cent to Y312.82bn from Y341.68bn. Fuji Heavy Industries will pay a Y4 per share interim dividend, unchanged from the prior-year level.

Company executives said the sales decline resulted from sluggish overseas demand because of the yen's sustained strength. The strong yen has eroded the competitiveness of Subaru cars abroad by driving up their prices.

During the first half, Fuji Heavy Industries sold 149,000 motor vehicles in the domestic market, up 4.9 per cent from the year-earlier level, but exports fell 10.9 per cent to 143,000 units.

By value, motor-vehicle sales, which accounted for 84.8 per cent of its overall business, totalled Y265.17bn, down 9.7 per cent from a year earier.

The company predicted that sales in the full fiscal year will total Y690bn, down from Y715.71bn in the previous year, and net earnings will tumble to Y8bn from Y10.21bn.

●**Ohbayashi**, the Japanese construction and property group, has revised upwards its forecast for parent company net profit in the year ending on March 31 to Y9bn from an earlier estimated Y8.9bn, against Y6.29bn a year earlier, **Reuter reports**

Trading by Sydney broker suspended

By Chris Sherwell in Sydney

A SMALL Sydney stockbroking firm was yesterday suspended from trading and announced that its majority shareholder was negotiating to sell its stake.

The firm is Gresham Securities and the shareholder Clarence Acceptances, whose securities were also suspended from official quotation.

It was not clear last night whether the firm's difficulties were directly related to the recent worldwide stock market collapse, which has affected the Australian market more severely than other exchanges.

Mr Keith Russell, Gresham chairman, is believed to have discussed with the Stock Exchange the firm's liquidity ratio and the level of scrip it has been handling.

Mr Russell is the head of Simplicity Corporation, which holds 56 per cent of Clarence Acceptances. Clarence in turn has an 81 per cent stake in Gresham.

The exchange gave no reasons for the suspension of Gresham.

CSR in US and Canadian acquisitions

By Our Sydney Correspondent

CSR, THE Australian building products, sugar and resources group, yesterday announced the A$110m (US$74.7m) purchase of two building materials companies in North America.

The group said the two purchases, one in the US and one in Canada, represent a further step in its strategy of establishing a substantial base of overseas earnings and of increasing profits from new investments in building materials.

The acquisitions follow closely on CSR's link-up with Redland of the UK in a plasterboard venture.

In the US, CSR bought Krome Aggregates and its associate, Mack Industries. Krome operates a quarry in Miami supplying 2m tonnes of limestone products a year to Mack and others.

In Canada, the group acquired a majority interest in the Vancouver-based Synkoloid Company, and has the right to move to 100 per cent within three years. Synkoloid makes and markets materials used in the installation of gypsum plasterboard.

INTERNATIONAL CAPITAL MARKETS

Non-dollar prices ease in thin day's trading

BY CLARE PEARSON

PRICES OF non-dollar Eurobonds eased yesterday in the face of stronger European equity markets and concerns that the dollar might have bottomed out.

But the closure of the US debt markets for Veterans Day kept trading volume thin. Dealers were especially reluctant to take up positions ahead of the release today of US trade figures for September.

These are expected to provide a crucial test of the dollar's resilience at current levels. Some dealers said yesterday that, if the trade gap emerged at $15bn or above, the dollar would probably be sold. August's figure was $15.7bn.

Eurodollar bond prices yesterday nudged about ⅛ percentage point better where changed.

Prices of Euroyen bonds suffered sharp falls of up to ¾ points, though the price of benchmark No 89 Japanese government bond proved fairly resilient in London trading.

Dealers said the falls in the Euroyen sector had been triggered by large retail sell orders. Until yesterday, lack of supply in the Euroyen market had kept prices stable.

Investors in Eurosterling bonds also took profits, sending prices down by as much as 1⅛ points in the 10-year area. Price falls were triggered by a bounce in the UK equity market, dulling hopes of a further cut in UK bank base lending rates in the near-term.

Prices in the domestic market eased by up to 1 point at the long end, in response to improving sentiment about the dollar and slight rises in West German share prices. Shorter maturity bonds fell by about ¼ point. Euro D-Mark bonds lost about ¼ point on average, with longer-dated bonds losing ½ point.

INTERNATIONAL BONDS

The Bundesbank replaced DM11.8bn in the market, DM2bn less than the amount it is draining this week. Dealers interpreted this favourably, as a sign that the Bundesbank wished to be seen to be intent on keeping interest rates down. However, it had no impact on bond prices yesterday.

A recent DM200m 6 per cent seven-year bond for **BFCE** closed at 98¼ bid, compared with a par issue price. On Tuesday it had closed at 98.60 bid.

The Japanese equity warrants market had another volatile day, with prices rising sharply to reverse Tuesday's falls, even though the Tokyo stock market closed lower.

Dealers said the spate of buying by short-term trading accounts had been triggered by last hour gains in blue chip stocks in Tokyo. The warrant market was expected to trade lower today as yesterday's gains had discounted a rise of as much as 800 points in the Nikkei-Dow Jones index. The price of a warrant for **Nomura Securities** closed at a mid-price of 27½, having opened at 18.

In Switzerland, prices of fixed-rate bonds ended the day mixed in moderate trading. There was some concern that investors were returning to equities, although dealers said there was still a firm undertone to the bond market.

Dealers said that some long-dated issues were still in strong demand. For instance, the 11-year tranche of a bond for **Oesterreichische Elektrizitaets** rose to 104 yesterday, up 1½ points on the day.

But a recent SFr150m 5⅛ per cent seven-year par-priced issue for **Kyushu Electric Power**, which closed its first day's trading on Monday at 102, ended the day 1 point lower at 101.

Yamaichi International (Europe) announced a Y20bn five-year floating-rate issue for **Hokkaido Electric Power**, designed for placement with Far Eastern investors. The bond pays interest semi-annually at a rate of 55 basis points below the Japanese long-term prime rate. It is priced at 100.30 and is callable after two years.

Shearson to lead Sweden's CP

BY OUR EUROMARKETS STAFF

SWEDEN YESTERDAY said it had appointed Shearson Lehman Brothers International as arranger for a Eurocommercial paper programme under which it will issue between $750m and $2bn.

The announcement marks an abandonment by the Kingdom of the tender panel approach for an existing note issuance facility, signed in 1984 with an original 60-strong panel, though this had already been adjusted as Sweden sought bids directly from banks. It has been one of the most active issuers in the short-term Euromarkets, with outstandings of $1bn over the past year.

The programme will have four dealers in addition to Shearson: Citicorp Investment Bank, Credit Suisse First Boston, Goldman Sachs International, and Merrill Lynch Capital Markets.

An official at the Swedish National Debt Office said yesterday: "We felt it was beneficial to scale down the number of dealers in the paper to gain greater control of where it was being placed, especially in view of recent volatility in interest rates."

The Kingdom has been eliciting bids for paper issued under the facility directly from banks for the last 18 months. The official said this had enabled it to weed out the best performing dealers. Shearson said Sweden has achieved rates of 30 basis points below London interbank bid rate over the last three weeks. It will continue to issue paper in the US domestic market under its $2bn programme.

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market.

Closing prices on November 11

US DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Abbey National 7½ 92	200	92⅝	93⅛	+0⅛	+0¼	9.59
All Nippon Air 9⅞ 97	100	93½	94	+0⅛	+0⅝	10.41
American Brands 8⅞ 92	150	97¼	97¾	+0¼	+0⅞	9.54
A/S Eksportfinans 7⅝ 93	100	91¾	92⅜	+0¼	+1½	9.40
A/S Eksportfinans 7¾ 92	150	93¾	94¼	+0¼	+1¼	9.01
Belgium 9⅛ 92	400	99⅝	100⅛	+0¼	+0⅞	9.15
British Telecom 7⅜ 96	250	87	87½	+0⅛	+0¾	9.84
British Telecom 8⅞ 94	150	†97	97½	0	+1½	9.43
Canada 9 96	1000	97⅝	98⅛	+0⅞	+1	9.36
Canadian Pac 10¾ 93	100	†104¾	105¼	+0¼	+0¼	9.53
C.C.C.E 7⅛ 91	113	94	94½	+0⅛	+0¾	8.91
C.N.C.A 7¾ 91	150	93⅜	93¾	0	+0⅞	9.21
Coca-Cola Ent. 8¼ 90	100	98½	99	+0⅛	0	8.76
Credit Lyonnais 9 91	200	99¾	100¼	+0¼	+0⅞	8.97
Credit National 7⅞ 92	100	93¾	94¼	+0¼	+0⅝	9.05
Credit National 7¼ 91	150	94	94½	0	+0¾	8.98
Denmark 7⅛ 92	500	92¼	92¾	+0⅛	+1⅛	9.29
Denmark 8¼ 91	300	97½	98	-0⅛	+1	8.97
E.E.C 7 91	100	93⅞	94⅜	+0⅛	+0¾	8.78
E.E.C. 7¼ 93	250	91⅞	92⅜	+0¼	+0⅞	9.17
E.E.C 8¼ 96	100	92	92½	+0⅛	+1¾	9.60
E.I.B. 7⅜ 93	100	92½	93	0	+1¼	9.22
E.I.B. 9⅜ 97	150	98	98½	0	+2⅛	9.65
Finland 7⅞ 97	200	88⅜	88⅞	+0⅜	+1¾	9.79
Finland 7½ 93	200	92	92½	0	+1⅝	9.27
Ford Motor Cred 11⅜ 90	100	104⅞	105⅜	+0½	+0½	8.73
Gen Elec Credit 10¼ 00	200	102	102½	0	+0⅞	9.91
G.M.A.C. 8 89	250	98¾	99¼	+0⅛	+0½	8.60
G.M.A.C. 8¼ 89	200	99⅜	99⅞	-0⅛	0	8.53
Hoesch 8¼ 97	100	†87½	88	0	+1½	10.34
Hoesch 7⅞ 92	100	†94¾	95¼	0	+0¾	8.78
Hoesch 7⅞ 94	300	†89¾	90¼	0	+0¼	10.06
Liberty Mutual 8½ 96	150	92	92⅜	+0⅛	+0⅝	9.88
L.T.C.B of Japan 8 91	100	95½	96	+0⅛	+0⅝	9.37
L.T.C.B.of Japan 8 97	200	86⅝	87⅛	0	+1	10.26
Mercds-Benz Cred 8¼ 92	100	98¼	98¾	+0¼	+0¼	8.63
Mitsubishi fin. 7⅞ 93	100	90⅜	90⅞	+0¼	+0¾	9.99
Mutual America 7⅞ 92	100	†93	93½	0	+0½	9.66
Norway 7¼ 91	500	94¾	95⅛	0	+0⅞	8.85
Pepsico Inc 7⅜ 93	200	91⅝	92⅛	+0¼	+0⅝	9.31
Prudential Crp. 8¾ 94	125	95⅞	96⅜	-0⅛	+0¾	9.60
Qantas Airways 10⅜ 95	140	102⅛	102⅝	-0⅞	+1⅜	9.90
Saab Scania 9½ 91	125	100⅜	100¾	+0⅛	+0⅞	9.28
Saskatchewan 10¼ 92	100	104⅞	105⅜	+0⅛	+0⅞	9.22
State Bk S Aust 9¼ 93	100	98	98⅜	-0¼	+0⅞	9.70
Swedish Expt.Crd.7¼ 91	100	94⅜	94⅞	-0⅛	+1	8.90
Swed Exp Cred 10 92	100	103⅝	104⅛	+0⅛	+1½	8.90
Sweden 7 91	250	94⅛	94⅝	-0⅛	+0⅞	8.75
Sweden 7 92	250	93⅜	93¾	0	+0⅞	8.88
Sweden 8¾ 96	200	94¾	95¼	0	+1⅝	9.63
Sweden 8½ 92	200	98⅛	98⅝	-0⅛	+1¼	8.92
Taiyo Finance 7¾ 94	100	89⅝	90⅛	+0⅜	+0¾	10.00
Toyota Mtr.Cred.7⅛ 92	150	92⅝	93⅛	+0¼	+0¾	9.22
Victorian Rep 11⅝ 92	150	107½	108	-0⅛	+1¼	9.39
World Bank 7 92	300	†93½	94	+0⅛	+0¾	8.82
World Bank 9 97	300	95⅜	95⅞	-0⅜	+1⅜	9.70
Yasuda Trust Fin 8½ 93	100	93⅞	94⅜	0	+0¼	9.89

Average price change... On day +0⅛ on week +0⅞

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Arab Banking 5½ 92	150	†97	97½	0	+0½	6.19
Avis Fin.SVS 5⅞ 92	100	†99	99½	0	+1	6.07
Bank of Greece 6½ 95	150	†97	97½	+0⅛	0	6.97
Bank of Tokyo 5¾ 93	100	†101⅛	101⅝	-0⅛	-0½	5.44
Central BK. Turkey 7 92	200	†100½	101	0	+0¼	6.81
Degussa Int. 6⅛ 97	200	†95⅜	95⅞	+0⅜	+1¼	6.75
E.I.B 5½ 98	150	†93	93½	0	+1¼	6.40
E.I.B 6 97	300	†97¾	98¼	-0¼	+1	6.29
E.I.B. 6⅛ 96	300	†98⅜	98⅞	-0⅜	+0⅛	6.33
E.I.B. 6⅛ 97	400	†97½	98	-0¼	+0½	6.44
E.I.B. 6⅞ 95	300	†103	103½	-0¼	+0¼	6.34
Euro.Coal& Steel 5⅞ 97	175	†96	96½	0	+0¼	6.42
Eurofima 6⅛ 96	100	†99½	100	0	+1½	6.28
Elec De France 5¾ 97	300	†94	94½	0	+1	6.57
Hoesch Int'l Fin.7 95	100	†100¼	100¾	0	+1¼	6.91
I.A.D.B. 6 97	200	†95½	96	-0⅛	+0⅛	6.61
IBJ 5⅞ 92	100	†100⅝	101⅛	+0⅛	+0¾	5.67
Japan Finance 5¾ 97	100	†93½	94	+0½	+1⅛	6.67
Ireland 6½ 97	300	†98	98½	-0¼	+0¾	6.75
Korea Dev Bk 6⅝ 93	100	†99⅜	99⅞	+0⅛	+0¼	6.75
Malaysia 6 -¼ 94	150	†97¼	97¾	+0¼	+0¼	6.72
Oesters.Kont.BK.5⅝ 92	200	†101	101½	0	+1⅜	5.33
Portugal 5¾ 92	150	†99	99½	-0¼	+0⅞	5.93
Portugal 6⅝ 95	150	†100⅜	100⅞	+0⅜	+0⅞	6.51
Royal Insurance 5½ 92	300	†99½	100¼	0	+0¼	5.49
Statoil 6¼ 97	200	†95½	96	+0½	+1¾	6.87
Soc Cent Nuclear 7¼ 95	150	†102¼	102¾	+0½	+0½	6.81
Steweag 5½ 96	100	†93¼	93¾	+0½	+2⅜	6.51
Tokyo Elec. Power 6 97	300	*†94	94½	0	0	6.85
World BK. 6¼ 97	600	†99⅝	100⅛	-0¼	+1⅜	6.27

Average price change... On day 0 on week +0¾

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
African Dev.Bk. 5⅜ 96	100	†96¾	97¼	+0¼	+4⅞	6.07
AMR Corpn. 5¼ 01	200	†88½	90	+1⅜	+0⅞	6.46
Asfinag 5 02	150	†94	95	0	0	5.55
Bayer W/W 2⅞ 02	250	†92	93	0	-5	3.14
BBL W/W 2¾ 97	100	†81	81¾	0	-4⅞	5.29
Elec.De.France 5 07	100	†98½	98¾	0	+0½	5.11
E.I.B. 4¾ 97	200	†97	97¼	-0⅛	+0⅛	5.13
E.I.B 4⅝ 97	200	†97¼	97½	+0⅛	-0⅝	4.98
Enso Gutzeit 5 99	100	†97	98	0	-0⅞	5.29
Ireland 5 02	150	†91½	92	+0¼	-0½	5.85
Newfoundland 5⅝ 02	150	†100	100¼	-0⅝	-1⅛	5.11
Polly Peck 6 92	75	*†97	97½	0	-1⅛	6.75
Prov.of Manitoba 4⅞ 02	200	†99¼	99½	0	+1⅛	4.83
Prov. of Quebec 5 03	200	†98	98½	+0⅛	+1½	5.16
Qantas Airways 4¾ 97	110	†93¼	94	0	+0⅞	5.61
SHV Holdings 4¾ 94	100	†99½	100	-0⅞	+1	4.79
Tiroler 4¾ 97	100	†99½	100	+1⅛	+1⅞	4.78
TNT 5 95	100	†98½	98¾	-0⅛	-0⅛	5.22
Woolwich B/S 4½ 92	120	†98¼	98½	-0⅛	+2⅛	4.88
World Bank 5 02	200	†94½	95	-0⅜	+1¼	5.53

Average price change... On day +0⅛ on week 0

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Belgium 4⅝ 94	45	95⅛	95⅝	-0½	-0½	5.48
E.I.B 4⅝ 94	40	95¾	96⅜	-0½	-0⅜	5.37
Elec. De France 5⅛ 94	20	98⅞	99¼	-0⅜	+0⅛	5.31
Kansai Electric 4⅝ 94	60	95	95½	-0½	0	5.51
Norway 4⅛ 92	60	96⅛	96½	-0⅜	0	5.18
S.N.C.F. 4⅞ 93	20	*97½	98	-0⅜	-0¼	5.35
Sweden 4⅝ 92	50	96⅜	96¾	-0¼	-0⅜	5.21
World Bank 5½ 92	50	101¼	101⅝	-0½	0	5.14

Average price change... On day -0½ on week -0⅛

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Aegon 5¾ 91 FL	100	98⅛	98⅝	0	+0½	6.23
Aegon 8¼ 89 FL	100	102⅞	103½	+0⅛	0	6.15
Air Products 6¾ 91 FL	100	100⅛	100⅝	0	+0¼	6.60
Alg. Bk. Ned. 5¾ 91 FL	100	98	98½	-0⅛	+0⅛	6.27
Alg. Bk. Ned. 7¾ 89 FL	150	102¾	103⅜	0	0	6.09
Alg. Bk. Ned. 8 89 FL	200	101¾	102⅜	-0⅛	0	6.05
American Express OC.10 94	40	†97¾	98¼	-0¼	+0¼	10.42
BP Capital 13¾ 92 A$	75	†97¼	97¾	0	+2¾	14.46
Creditanstalt 14⅛ 90	60	†97½	98	0	+2¾	15.12
Denmark 7¾ 92 ECU	100	99⅜	99⅞	-0⅛	-0⅞	7.88
DG Fin. Co. 13¾ 90 A$	50	†100¼	101	0	+2¾	13.41
DG Fin. Co. 14 90 A$	75	†99¾	100½	0	+2¾	13.87
DG Finance 14⅜ 92 A$	50	†101¼	102	0	+2¾	13.79
Deutsche Bank 9⅞ 97 £	75	98¾	99⅜	-1⅜	-1	10.00
Deutsche Bk.14¼ 92 A$	100	†98¼	98¾	0	+2½	14.67
Dresdner fin.13⅞ 91 A$	100	†97¼	98¼	0	+2¾	14.64
Electrolux 8 89 FL	60	102	102½	0	0	6.25
E.I.B 8⅝ 93 LF	1000	102¼	103¼	-0¼	-0¼	7.95
Euratom 7⅝ 97 ECU	145	90	90⅜	-0⅛	+0½	8.95
Euratom 11½ 88 FL	150	102⅞	103⅜	+0⅛	+0¼	0.05
Eurofima 7½ 92 FL	50	103	103⅝	0	0	6.62
Eurofima 10½ 89 FL	50	105¼	105⅞	0	0	6.18
Finland 6 91 FL	100	98⅝	99⅛	-0⅛	+0¼	6.32
Ford.Mtr.Cred.13¾ 91A$	75	†96½	97¼	0	+2¾	14.83
G.M.A.C. 9 92 £	50	97½	98⅛	-1⅜	-0⅞	9.60
G.M.A.C. 9¼ 92 C$	75	95⅜	95⅞	-0⅞	-0¾	10.48
G.M.A.C Aus.Fin.14 90 A$	50	†96½	97¼	0	+2¾	15.41
Halifax BS 10⅜ 97 £	100	100⅜	100⅞	-1⅜	-0⅞	10.25
Helaba Fin. 13⅞ 96 A$	75	†97¼	98	0	+2¾	13.82
Imp Chem Inds 10 03 £	100	98¼	98¾	-1⅜	+0½	10.18
Ikr.In Ind.Intl 10 93 £	60	100¼	100¾	-1⅜	-0¼	9.85
Land Securities 9½ 07£	200	†89¼	89¾	-1¼	+0⅝	10.80
Leeds B.S 10½ 91 £	50	†101⅜	101⅞	-0⅜	0	9.87
Mort.Bk.Denmark 6 91 FL	150	98¼	98¾	-0⅛	+0⅛	6.43
Nat.Australia 14 92 A$	50	†95¾	96½	0	+2¾	0.99
Nationwide BS 10⅞ 93 £	75	†101	101½	-0½	+0⅞	9.79
New Zealand 7¾ 93 ECU	200	95¼	95¾	-0¼	-0¾	8.83
Oesters.Ktrbk.13⅞ 94 A$	75	†97½	98¼	0	+2¾	14.09
Prudential Fin.9⅞ 07 £	150	91⅛	91⅝	-1⅜	+0⅞	10.41
Royal Trustco 10⅜ 90C$	75	100⅜	100⅞	-0⅜	-0½	10.11
Sainsbury.J 10⅞ 93 £	60	†104	104½	-0⅜	+0¼	9.77
S.D.R. 7¾ 95 ECU	90	95⅞	96⅜	-0¼	-0⅜	8.52
Trusthouse Forte 11⅛ 90£	50	102⅜	102⅞	-0½	-0⅛	9.78
Thyssen 7¼ 90 FL	50	101⅜	102⅜	0	+0⅜	6.43
Wessanen 6¾ 90 FL	50	101⅛	101⅞	-0⅛	+0⅝	6.16
World Bank 11¼ 95 £	100	108⅜	108⅞	-1¼	+0⅛	9.56
World Bank 13⅜ 92 A$	100	†96½	97½	0	+2¾	14.24

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn
Alberta 3 93	.0312	99.92	100.02	11/12	7.64
Alliance & Leic.Bld 94 £	.08	99.24	99.29	21/01	10.27
Belgium 91	0	100.02	100.12	19/02	7.19
Britannia 5 93 £	0⅛	99.62	99.67	8/01	10.37
Chase Manhattan Corp 91	0¼	99.12	99.37	22/02	7.39
Citicorp 98	†0¼	96.50	96.75	30/11	7.12
Credit Lyonnais 5 00	†0¼	98.25	98.35	13/01	7⅛
EEC 3 92 DM	†0	100.07	100.12	22/02	4.31
Halifax BS £ 94	.1	99.34	99.39	8/02	8.97
Midland Bank 01 £	.1	96.38	96.56	11/11	10.35
Milk Mkt.Brd. 5 93£	0⅛	99.36	99.41	30/12	10.37
New Zealand 5 97 £	.07	99.24	99.34	18/11	10¼
New Zealand 5 01	0	98.77	98.87	4/02	7⅛
Shearson Lehman Hlds 91	†0¼	99.00	99.25	8/02	7.62
United Kingdom 5 92	0	100.17	100.23	7/01	8.19
Woodside Fin. 5¼ 97	0	99.08	99.18	28/01	7.69
Woolwich 5 95 £	0⅛	99.16	99.21	19/11	8.81

Average price change... On day -0.04 on week -0.23

CONVERTIBLE BONDS	Cnv. date	Cnv price	Bid	Offer	Chg. day	Prem
Alcoa 6¼ 02	8/87	62	88	90	-1	29.44
Alco Health 6¼ 01	†7/86	26.25	76	78	0	47.00
American Brands 7¾ 02	9/87	56.7	96½	98	-2⅞	27.85
American Can Co. 5½ 02	†4/87	66.75	62	64	0	54.32
Ashikaga Bank 2⅛ 02	4/87	967.	108⅝	109⅝	+1	-1.11
Asics 5 92 DM	†12/89	438.6	128½	129½	-6	-4.12
CBS. Inc. 5 02	4/87	200.	91½	93½	-0¼	11.61
Chiba Bank 2⅞ 02	†1/87	790.5	174	176	0	5.69
Fuji Hvy Inds 3 00	8/85	676.	125½	126¾	+0⅞	-7.22
Fujitsu 3 99	5/84	1106.	171⅜	173	+11¾	-1.44
Gunma Bank 2⅞ 02	4/87	808.	123⅞	124⅞	+0⅞	-7.14
MCA INC 5½ 02 US	†9/87	69.62	71	73	0	31.47
Minolta Camera 2¼ 94DM	†2/86	1004.	85½	86½	0	43.91
Mitsui trust 2⅞ 01	10/86	1903.	113	115	-1½	-7.76
Next PLC 5⅞ 03 £	11/87	4.3	99⅞	101⅞	0	73.99
Nippon Elec 2⅞ 00	1/85	1295.	264⅜	265⅜	+16	-1.29
Oki Elec Ind 3½ 99	10/84	808.	162¾	164⅞	+6⅞	-0.64
Omron Tateisi 2⅞ 02	4/87	1310.	135⅞	137⅜	+8⅞	-1.12
Redland 7¾ 02 £	1/87	5.4	82½	84½	+0¾	20.88
Yokohama Bank of 2⅞ 01	10/86	1014.	149⅞	151⅞	-2⅞	-6.59
W.R. Grace 6¼ 02 US	9/87	42.12	75	77	-0⅞	-24.40

* No information available-previous day's price

† Only one market maker supplied a price

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week=Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte=Date next coupon becomes effective. Spread=Margin above six-month offered rate (‡three-month; §above mean rate) for US dollars. C.cpn=The current coupon.

Convertible Bonds: Denominated in dollars unless otherwise indicated. Chg. day=Change on day. Cnv date=First date of conversion into shares. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

Merc guru jumps to defence of futures

By Alexander Nicoll, Euromarkets Editor

THE CHICAGO Mercantile Exchange swung into London yesterday, guns blazing in defence of the role of futures markets in the stock market crash.

Mr Leo Melamed, often acknowledged as the high priest of financial futures markets, stepped up one rung when he was introduced as "God" to an admiring crowd attending a lavish symposium put on by the exchange. Though neither chairman nor president, he commands the exchange from his position as chairman of the executive committee.

"Fundamentals will out," Mr Melamed boomed. "If humans ignore fundamentals for too long a period of time, they will be sorry."

Arguing that economics and not market inadequacies caused the crash, Mr Melamed has a battle on his hands. As he put it, US legislators are very much influenced by public perceptions. Public perceptions have it that trading strategies involving futures contributed importantly to the crash.

Consequently, there is a swell of opinion that regulation should be tighter, margins raised, and other measures taken that would cramp the free-wheeling Chicago style. He is out to correct those perceptions before they become too fixed.

"Programme trading," he intoned solemnly, "was not the culprit of the fall of the US stock market." Far from it, arbitrage was not really possible. Trading could not be conducted properly in the stock market because of imbalances of orders. Indeed the CME - which trades the Standard & Poor's 500 Index futures used in most programmed arbitrage - was the "only market in operation...we were the only place that could take the hit."

But hadn't many traders in the pit stopped trading, reducing liquidity? No, Mr Melamed told journalists, that was wrong. The Merc's trading community had handled it very well, although naturally there had been money lost and some seats sold. The Chicago Board Options Exchange, however, was another exchange and another matter. Options positions were large and complex, and if you were wrong it was no simple matter. "A futures trader is either in or out, it's a simple process to get out."

Later, Mr Melamed let slip that the trading community in the S&P pit had diminished by 20 per cent. But the pit was overcrowded anyway. The departures merely left behind the larger, better capitalised market makers who were able to provide liquidity. Mr Melamed also said that volume in the S&P pit has since the crash been running at 50 per cent less than what had been normal volumes.

But didn't computer-generated futures selling orders, because they all came at once, make prices fall faster? No, that wasn't true either. In any case, when sell orders come "you cannot produce buyers by rule of law or anything else...Buyers step forward when they think the price is right."

And what about the supposed rift between the New York Stock Exchange and the Merc, with NYSE chairman Mr John Phelan casting aspersions on stock index futures? Well, the press had that wrong too. There was no major disagreement between the two exchanges.

More than that, Mr Jack Sandner, the CME chairman, staunchly defended the right of the Commodity Futures Trading Commission to regulate futures - countering current suggestions that the Securities and Exchange Commission should take over. The CFTC had performed "extraordinarily well," he said, omitting to mention the bitter battles which futures exchanges have fought - and essentially won - with the CFTC over the past few years.

Fundamentals remain strong for ADRs, reports Stephen Fidler

Gould applauds markets' survival

THE COLLAPSE of share prices last month has encouraged a sea change in attitudes to markets, **Mr Bryan Gould**, the Labour Party's spokesman on trade and industry told a Financial Times conference yesterday.

Mr Gould, addressing a conference on the prospects for the business in American Depositary Receipts organised in association with the Nasdaq of the US, said the crash had made it clear that the devotion of government policy to satisfying the financial markets had been "a sort of short-termism."

A future Labour government "would want to see these markets operating as professionally as possible" but would not let the markets stand in the way of longer-term objectives for the real economy.

Of the crash, he said "It has to be conceded that the London market has survived increasingly well. We haven't lost any market makers in equities." However, the problem may not yet be over.

Mr James Davin, managing director at First Boston in New York, said the reasons which encouraged US investors to buy foreign shares such as ADRs existed just as much after as before the crash - investment performance, currency appreciation and diversification in currencies and companies.

Nasdaq accounted for 75 per cent of all ADR listings. In the first nine months of 1987, 1.6bn Nasdaq-listed ADRs had been traded, compared with 512m for the New York Stock Exchange and 60m for the Amex.

FT CONFERENCE
The prospects for the ADR Business

Mr John Wall, Nasdaq executive vice president, said ADRs accounted for 10 per cent of Nasdaq volume, and the average number of market makers in ADRs for UK companies averaged 15. But the perception of Nasdaq as just a small investors' market was false. About 41 per cent of its volume this year was accounted for by large block trades, compared with 52.6 per cent for the NYSE.

He outlined a proposed link of Nasdaq with London's Seaq system, and with the Singapore exchange. **Mr Charles Symington**, managing director of S G Warburg in New York, said listings could be made on the New York or American Stock Exchanges, or on the "pink sheet" segment of the over-the-counter market, the basic Nasdaq market or the Nasdaq national market system, generally used by larger companies.

About 13,000 US and foreign securities trade on the pink sheet market, named after the pages on which price information is distributed to dealers. Its disadvantage is that it is less liquid than the other markets, though it avoids time-consuming and expensive filings with the Securities and Exchange Commission.

Mr Ralph Marinello, vice president of the ADR department of Irving Trust, a depositary for the underlying shares from which the ADRs are created, estimated that unsponsored ADRs accounted for 82 per cent of the market in 1982. That percentage has since dropped to about 70 per cent.

Mr Joseph Velli, vice president at the Bank of New York, said a depositary's role was threefold - to report back to the company on the trading of its ADRs, to act as transfer and registration agent, and to clear ADR trades for brokers, ensuring they did not incur unnecessary costs.

Mr Chris Prior-Willeard, a senior manager in UK equities at the London stock exchange, detailed trading of ADRs on the London exchange. Fourteen UK ADRs are traded on Seaq by seven market makers, a figure he predicted would increase in coming months.

Mr Michael Bowen, a Kleinwort Benson director delivering a speech for colleague **Mr Jeffrey Green**, said it was too early to judge whether, as had been suggested, companies with ADR flotations in the US had suffered flowback as a result of US investors selling in the stock market crash.

Mr Robert Mangone, a partner of Townley and Updike, the New York law firm, addressed the conference on the technical and legal implications of creating ADRs and **Mr John Huber** of the law firm Latham and Watkins, on the regulation of the ADR market.

Mexican lifeboat for brokers

BY DAVID GARDNER IN MEXICO CITY

MEXICO'S FINANCIAL authorities, in conjunction with the leading local stockbroking houses, are putting together a lifeboat for smaller brokers which have been hit by the stock market crash of the last five weeks.

The new liquidity available to broking firms will be worth at least 1,000bn pesos ($600m).

Nacional Financiera (Nafinsa), the state development bank, is to provide credit lines worth 500m pesos for investment in stocks held by mutual funds, while the six leading brokerage houses have pledged to match this peso for peso.

The complex mechanism envisaged for paying back the new credit is also intended to provide a measure of stability to a bourse renowned for its volatility even before the recent worldwide shakeout.

A veteran of similar boom-to-bust cycles in 1979 and 1984, the small but fast growing Mexico City market rose 329 per cent in dollar terms in the nine months to the end of September - far higher than any other market in the world - before seeing 60 per cent, or $20bn, wiped off share values.

As one of its consequences, the rise produced what one senior finance official described privately last week as "the grotesque over-valuation" of financial stocks in general and brokerage firms in particular, many of which were then engaged in headlong expansion.

For example Operadora de Bolsa, the leading house, was valued at the end of September at $2.3bn - more than, say, Morgan Stanley - and had opened around 40 new branches. Three other brokerages, all of them like Operadora, contributors to the new lifeboat, were valued at over $1bn.

The brokerage firms have all been hit hard by the crash, and there were fears that some of the smaller, more flamboyant new entries to the market might fail.

Market analysts point out that there were some 800m pesos ($485m) in leveraged stock purchases still unsettled last week.

The new credit lines should amply cover this. Although small in relation to last month's losses, the $600m target is a large sum in relation to the "float" of tradeable shares in the market. This is about a quarter of all shares, which now have a total valuation of $14bn.

Amortisation of the credit will be either through delivering the mutual fund stock bought with it to Nasinsa or, when the index rises 25 per cent more than inflation, in cash. The idea appears to be that the cash will be raised by selling the stock, which will help correct the index.

Bank capital discussion postponed

By David Lascelles

CENTRAL BANKERS of the world's leading industrial countries have been forced to postpone until December the consideration of a new international accord on bank capital.

The matter was scheduled for discussion at Monday's meeting of the Group of 10 central bankers in Basle, but got edged out by more urgent issues to do with the crisis in the financial markets. It will now be considered on December 7.

Staff of the Cooke Committee on international banking supervision have prepared a set of recommendations. These would expand the original year-old accord between the UK and the US to permit many other countries to use the same definition and measures of capital.

UK COMPANY NEWS

PASSENGER LOAD FACTOR AT 82% IN AUGUST

British Airways up 65% to £232m

BY MIKE SMITH

British Airways yesterday added to its pleasure at receiving Government clearance to launch a bid for British Caledonian by announcing interim profits ahead of City expectations.

On sales of £1.96bn (£1.7bn) it made pre-tax profits of £232m in the six months to September 30. That represented a gain of 65 per cent on last year's £141m and was about £12m ahead of most forecasts.

The tax charge was, at £81m, higher than in 1986 when tax losses brought forward reduced the figure to £4m. Earnings per share were 20.9p (19p) and the interim dividend is 2.25p.

Lord King, chairman, warned that recent developments in financial markets led to uncertainty about economic activity. Traffic levels remained high but BA was watching forward bookings carefully.

Analysts said that the fall in the value of the dollar would make fuel purchases cheaper because oil was dollar denominated. The currency's decline may reduce the number of passengers from the US, although it was likely to increase the flow in the opposite direction.

Compared with the poor first half of last year, when there were fears about terrorism and Chernobyl depressed tourism, BA carried more than 10m passengers, a 15 per cent increase.

Passenger load factor was 75 per cent (66 per cent last year) and rose to a remarkable 82 per cent in August, said Lord King. Analysts had been prepared for such figures but their forecasts were exceeded because BA discounted prices less thanexpected.

Fuel and oil costs were similar to last year but operating expenditure rose 13 per cent, partly as a result of a 16 per cent in staff costs, including profit-related bonuses, higher staff numbers and overtime. The cost of new aircraft also rose.

Profits were concentrated in the second quarter when they increased 29 per cent from last year's £110m to £142m on turnover of £1.06bn (£934m).

Traffic figures for October, the first month in the second half, show that scheduled passengers rose 11 per cent above the 1986 level. Cargo traffic grew by 16 per cent to give an overall load factor of 69.4 per cent, an improvement of 1.8 points.

See Lex

Latin American provision cuts into AIB

A PROVISION of I£9.5m taken above the line for Latin American debt left **Allied Irish Banks** with pre-tax profits of I£48.1m (£43m) for the half year to end-September, a shortfall of I£4.6m on the figures for the corresponding period of the 1986-87 year.

Prior to the provision profits were showing an improvement of £4.9m at £57.6m, including a £10.1m share from the First Maryland Bancorp associate, up from a previous £7.5m. Other associates chipped in £1.3m (£0.8m).

Along with the results the directors said AIB had continued its programme of product diversification through such developments as the launch of Datelink, the new cash management facility for corporate clients, and Keepsafe, a fixed interest deposit facility.

The company also intended to diversify into life assurance business, a natural extension to its existing activities. A proposal was being evaluated and AIB was expected to make an application to the authorities in the coming months.

The directors said they were determined to spread the AIB's geographic and earnings base wider and to make the company a more broadly-based financial services group.

Earnings for the opening six months emerged at 16.8p (21.8p) after tax of £12.5m (£14.7m). The interim dividend is being lifted from 5p to 5.25p on the enlarged share capital.

• comment

AIB has for some years struggled with "the Irish question"; how to rectify its over-exposure to the weak Irish economy. The solution has been to build up business in the UK and to buy a stake in the US bank First Maryland. The latter, which provided more than half the pre-exceptional profits increase, has been a much more successful purchase than Midland's buy into Crocker. Further good news yesterday was that AIB has hedged the second half dollar profits and so is protected from the US unit's collapse. But AIB does not currently intend to increase its stake in First Maryland above 50 per cent. However Eire still provides around 50 per cent of pre-tax profits and domestic bad debt provisions increased again. The likely outcome is for full year profits to equal last year's I£102m, putting the shares, unchanged at 186 British pence yesterday, on a prospective p/e of just over 7.

Williamson Tea up 40%

A 40 per cent improvement in pre-tax profits, from £3.5m to £4.9m, was reported by **Williamson Tea Holdings** for the year ended June 30.

Sales for the company, which owns shares in tea producing companies in India, Kenya and Tanzania, rose to £35.64m (£32.18m). The directors said it was unlikely that results for the current year would reach those under review.

They are recommending an unchanged final dividend of 10p to maintain the total for the year at 20p. Earnings per £1 share jumped to 74.52p (47.54p).

Tax took £2.05m (£1.89m) and minorities £1.16m (£737,000).

PROPERTY Holdings has sold a 7.5 acre site on its retail park at Leamington Spa to J. Sainsbury for over £8m. It will be developed into a major food store.

Scottish Natl assets in 23% downturn

BY NIKKI TAIT

Scottish National Investment Trust, the large Gartmore-managed general fund which decided to convert to split-level status last month, yesterday revealed that its total assets fell by 23 per cent during October - the month when stock markets crashed.

Total assets reached £322m at the end of September, but had reduced to £249m by the end of October. The conversion actually took place in early October, and part of the necessary portfolio change was achieved by a £100m programme trade. Partly as a result of the portfolio changes - in particular, the reduction in low-yielding overseas investments - liquid assets (cash and gilts) totalled £68m by the end of October, or almost one-quarter of the portfolio.

Shareholders, however, have been fairly well protected against the downturn as a result of the split-level conversion scheme. Gartmore calculates that anyone who held shares at 447p on September 1, when they were trading at a 10 per cent discount to net asset value, would have owned the equivalent of 427.9p-worth of the four new types of shares, plus warrants, by the end of October. That represents a 4.3 per cent decline - against a 23.5 per cent drop in the FT 30-Share Index.

Results for Scottish National in the year to the end of September, released yesterday, showed net revenue before tax of £6.24m (£5.55m), and a 42.8 per cent increase in net asset value during the year to 510p.

Scott's Rest. reduces loss

First half 1987 figures from **Scott's Restaurant** showed turnover up from £5.23m to £5.42m, and the pre-tax loss reduced from £418,000 to £308,000.

Figures included the loss of Connaught Rooms for the period until they were sold as part of Connaught Restaurants in April. The loss on disposal was shown as an extraordinary debit of £501,000.

Braithwaite buys

Braithwaite Group has paid £1.35m cash for Calorex Heat Pumps, used in swimming pools. Vendor was Crest Nicholson.

Calorex profit for the 11 months ended September 30 1987 was £222,000, with net assets at £496,000.

Lasmo lifts Enterprise Oil stake to 25%

By Lucy Kellaway

London and Scottish Marine Oil yesterday bought nearly 3 per cent of the shares in fellow oil independent Enterprise Oil, lifting its stake to about 25 per cent.

The move injected life into the sector sending more of the shares of the independent oil companies up by nearly 10 per cent, and sparked off renewed rumours in the City about a merger between the two companies.

However Mr Chris Greentree, the chief executive of Lasmo said that the move was a "topping up operation" designed to rebuild his stake towards the 29.9 per cent before it was diluted ealier this year by Enterprise's purchase of ICI's oil interests.

He said that Lasmo had bid for about 5 per cent of Enterprise shares at a price of up to 230p. "The reason is pretty simple. These shares were at 320p, and so at 210p they looked good." Mr Greentree added that if prices remained low, Lasmo indended to increase its stake further to 29.9 per cent.

Rumours of mergers between Lasmo and Enterprise have been rife this year. However, the issue is complicated by the Government's "golden share" in Enterprise, which expiries at the end of next year and by the presence of ICI, which owns 25 per cent stake in Enterprise, and RTZ, which owns 29.9 per cent of Lasmo. RTZ, which has hitherto been prevented from bidding for Lasmo, will be free to do so after December 20 this year.

Hughes Food

Undeterred by the fallout in share prices in recent weeks, the acquisitive Hughes Food Group is returning to the takeover trail with the acquisition of a 75 per cent stake in S&A Foods (Midland), a producer of ready-made Indian and Chinese chilled meals. Consideration is to be satisfied by the allotment of 19,230 new Hughes ordinary.

COMPOSITE INSURERS FACE HIGH HURRICANE COSTS

CU leaps 77% to meet forecasts with £127.7m

BY NICK BUNKER

LAST MONTH'S British hurricane will cost **Commercial Union** a net £15m, the composite insurance group said yesterday as it reported pre-tax profits up 77 per cent at £127.7m in the first nine months of 1987.

The group's figure for net hurricane losses was arrived at after allowing for substantial recoveries from reinsurers. CU's gross claims could be at least three times bigger than the net £15m, the company said.

CU's shares closed up 24p at 317p, even though pre-tax profits for the nine months to September 30 were at the bottom end of the range of stockbrokers' analysts' forecasts of between £125m and £145m.

Analysts had reckoned without an unexpectedly large number of big UK industrial fire claims. CU suffered a £1.6m underwriting loss in the third quarter on this class of business, against a £2.1m profit in the same period last year.

At September 30, shareholders' funds were £1.44bn, up from £1.43bn on January 1. But "the recent upheaval in financial markets" had cut this by 18 per cent to £1.18bn, CU said. Its solvency margin (the ratio of shareholders' funds to premium income) has fallen from about 68 per cent on September 30 to about 58 per cent yesterday.

• comment

So deep has been investors' disaffection with CU since the dark loss-making days of 1983-4 that its gross dividend yield has often run at a big premium to the stock market. Just look at it now. Assuming CU makes £188m pre-tax next year, it could manage an 18p dividend in 1988, giving a prospective gross yield of nearly 8 per cent, against Warburg Securities' current forecast for the FT-Actuaries All share of 5.5. Does this turn CU from the perennial recovery stock into a defensive buy on a par with General Accident? Nearly, but not quite. Investors need a little more time to be totally sure that its US insurance loss reserves need no radical boost. Stockbrokers' analysts need to ask a lot more questions about the impact on British insurers of US environmental pollution clean-up claims. And Adelaide Steamship will need a miracle if its near five per cent stake in CU is to bring in a bidder in present conditions.

General Accident doubles profits with surge to £181m

PERTH-BASED **General Accident**, composite insurance group, brushed aside the impact of turmoil in the financial markets yesterday as it announced pre-tax profit figures more than doubled at £180.6m for the nine months to September 30, **writes Nick Bunker.**

It said that the fall in equity market values would have "no effect" on its ability to trade expansively. There would be "no foreseeable impact" on its dividend-paying prospects, General Accident added.

However, Mr Buchan Marshall, chief general manager, struck a mildly pessimistic note about the industry's operating environment, after nearly three years of a cyclical upturn in non-life insurance pricing in the US and the UK.

"The pace of the improvement cannot be expected to continue at the present level for very long," he said.

Claims arising from the mid-October UK hurricane would cost the group a gross £40m in the fourth quarter, but this would fall to a net £30m after allowing for recoveries from the reinsurance industry, he said.

Worldwide, non-life insurance premiums in the first nine months grew by an underlying 14.7 per cent to £1.74bn, but the group's global underwriting loss was more than halved from £133.6m to £65m.

Investment earnings were £23.3m higher at £239.2m, while profits from life assurance and pensions business grew 32 per cent to £9.5m.

• comment

October's global stock market debacle took £500m off General Accident's shareholders' funds. No matter, say the Highlanders. Pre-tax results at the very top of City forecasts of £160m to £180m helped push the shares up 56p to close at 808p. But the market crash has also reinforced GenAcc's case that it was right all along to keep its solvency margin at levels which last year made it look hugely over-capitalised but now underline strongly its powers to make healthy dividend increases. Even after the recent equity market carnage, the group still has shareholders' funds of £1.75bn, and a solvency margin of 74.8, nearly 60 points clear of the statutory minimum.

Lep property expansion

BY DAVID WALLER

Lep Group, mainly involved in freight forwarding, is extending its property interests with the £19.68m acquisition of a portfolio of properties from Heron International.

The portfolio consists of eight freehold properties and one long leasehold property, with a spread of uses ranging from a shopping centre in Nuneaton and an office building in central London currently let to a government department.

Independently valued at £22m, the portfolio is being bought for £2m cash and the issue to the vendors of 4.76m new shares in Lep, representing 5 per cent of Lep's enlarged share capital. There will be a further cash consideration of £11.25m at the end of next year.

UK COMPANY NEWS

Ultramar at £31m for 9 months

BY LUCY KELLAWAY

Ultramar, UK oil independent, yesterday announced a third-quarter profit of £9m, compared to a loss of £4.3m in the same period last year.

For the first nine months of the year the company made a profit of £30.8m compared to a loss of £9.7m in the first three quarters of 1986. In the third quarter cash flow was £29.6m, an increase of nearly £5m on the comparable period.

The company said that there were three main reasons for the improvement. The rise in oil prices boosted profits from the North Sea and from Indonesia, while the Eastern Canadian refining and marketing divisions continued to improve. Ultramar said that in Canada it was heading for a record year. The group also benefited from a 30 per cent reduction in interest charges stemming for the fall in its borrowings, and from a reduction in operational costs.

Mr Lloyd Bensen, chairman, said he was confident that following recent restructuring the basis for growth had been laid. Business prospects for the fourth quarter were promising, he said, although warned that profits could be adversely effect by exchange rate movements.

During the quarter Ultramar said it made a major gas discovery in the Netherlands in block J/6 and achieved the highest ever sales of gasloine in Canada. In Quebec, refinery ultilisation reached its highest levels since 1983.

The company has continued to dispose of non core business, and in the three months to September sold its share in a Canadian pipeline at a profit of £2.8m, and its New York barge operation at a profit of £2.6m.

●comment

The 10 per cent rise in Ultramar's share price yesterday to 167p may have as much to do with Lasmo's purchase of Enterprise shares as to this solidly respectable set of results. If Lasmo's spree has brought asset values back into fashion, then Ultramar, which on some City calculations is trading at half the value of its assets, stands to do well. Meanwhile these results show its efforts to focus the group more sharply are paying off. It is only unfortunate that much of the progress will be hampered by the latest fall in the Canadian dollar, which could cut full year results by more than £5m to about £50m or so. With such a blameless performance in what tends to be Ultramar's weakest quarter, it is questionable whether the padding provided by sqeezing the Canadian pipeline profits in above the line was really necessary.

Granada to decide soon on ER bid

BY NIKKI TAIT

Granada, the TV and leisure group which launched a £222m takeover bid for Electronic Rentals, a rival company in the TV and video rental business, on Monday, said yesterday that it would decide whether to proceed "within the next few days."

On Tuesday, ER firmly rejected the bid, describing it as "unacceptable both in form and value." Granada said yesterday that it regretted that directors had been unwilling to discuss "its generous offer... and thereby are prepared to deny their shareholders the opportunity of considering the offer for themselves".

Granada's protracted *response, however,* appeared to be some comfort to Electronic Rentals. "They're wavering, aren't they ? Our position has not changed in any way - they should have know this would happen," commented Mr Christopher Roper, the company secretary.

Last night, Mr Derek Lewis, Granada's finance director, said that the company had realised "that there was always a possibility that ER management's initial reaction would be negative." However, he took some comfort from the form of rejection - "it's far from being an outright rejection - if you read the wording carefully, they're talking about form and value."

The attitude of Philips, the Dutch electronics goods giant which holds 22.4 per cent of ER's shares also appears critical. Philips representative, Mr Frans Rulo who holds a non-executive post on the board, gave his full backing to Tuesday's rejection.

Lilley moves back to profit midway as US problems ease

BY FIONA THOMPSON

F.J.C. Lilley, Glasgow-based construction company, which plunged £50m into the red last year because of problems in its US tunnelling operations, has swung back into profit for the half year to July 31. The company yesterday reported pre-tax profits of £624,000 for the six months, compared with a loss of £24.48m for the same period last year.

"It is a fairly remarkable turnaround and it will continue," said Mr Lewis Robertson, who took over as chairman last December and brought in Mr Joe Barber as chief executive. The US businesses had caused a deep haemorrhage in Lilly, but half had now been sold and Lilly hoped to sell the one outstanding company, Harrison Western, soon. "They cannot sink the whole group now," said Mr Robertson.

Turnover was static at £85.82m (£84.61m). Of £40.29m North America sales, £14m was in discontinued businesses.

The UK construction side's contribution to operating profit rose to £2.16m (£1.52). International construction showed a £508,000 profit against a £6.23m loss, and the US and Canada loss decreased to £821,000 compared with £19.96m last time. Property development and investment contributed £1.04m (£29,000), mainly on the sale of property due to disposals.

The interest payable was £1.94m (£1.37m). A tax charge of £551,000 compares with a credit of £3.85m last year. An extraordinary debit of £3.36m, relating exclusively to discontinued activities in the US, has left shareholders' funds at £15.11m. Earnings per share were 0.09p, against a 24.01p loss. No dividend was declared.

●comment

Lewis Robertson, brought in as the company doctor, is confident Lilley is on the mend. Certainly yesterday's figures are a healthy sign that he appears to have got the prescription about right.

Though still over 100 per cent geared, borrowings are down from a peak of £57.4m to about £21m and bank support has been confirmed until September 1989.

The bulk of the peripheral companies have been sold and all efforts are going into boosting the four UK core companies and a very specialised, limited international operation. Contracting, especially tunnelling, is one of the most risky businesses there is. Lilley's main task now is to convince companies that it can be trusted with the big contracts.

The shares closed 6p up last night at 40½p. Assuming pre-tax profits for the full year of £2.5m, that puts them on a very high prospective p/e of 19.

COMPANY NEWS IN BRIEF

EXTERNAL INVESTMENT raising interim dividend to 9p (7.5p) and forecasting total 20p for year ended March 31 1988 (18p). Earnings for half year 14.26p (11.48p) and fully diluted 14.76p (11.55p) from net revenue £942,000 (£759,000). Net asset value 961.8p (717.5p) and fully diluted 904.7p (688.4p).

YEARLING BONDS totalling £1.25m at 8.75 per cent, redeemable on November 16 1988, have been issued by the following local authorities. Dundee (City of) District Council £1.0m: West Lancashire District Council £0.25.

BRITISH & COMMONWEALTH Holdings, financial services group, has increased its holding in Singer & Friedlander, the recently requoted merchant bank to 8.04 per cent against 7.15 per cent when it first took a stake in late September.

THOMAS ROBINSON GROUP has bought 75 per cent of the capital of R.Simon (Dryers) for £148,000 cash and the allotment of 14,000 new shares. On December 1, Robinson will buy the remaining 25 per cent for a further £66,000 cash.

LANCASTER is buying G Eric Hunts (Leeds) for a total of £2.5m cash, conditional, inter alia, on Hunts pre-tax profits for the year to end-September 1987 being not less than £450,000. Directors estimated that net assets at that date would be not less than £700,000. Hunts operates a BMW franchise in Leeds.

***BONDED LAMINATES* Profiles** has acquired Woodtape for £700,000 to be satisfied by the allotment to certain of the vendors of a total of 168,000 new ordinary. The balance was paid in cash from the group's resources. Woodtape specialises in the manufacture and supply of edgebanding and impregnated non-woven materials for the furniture industry.

J H WOODINGTON, Drogheda (1936) (ladies fashion footwear): Pre-tax loss I£95,181 (I£53,513) for six months to June 30 1987 and for 1986 £98,833 (£179,711). Turnover £211,521 (£346,000) and £650,974 (£786,804) respectively. Losses per share for the six months 32.43p (18.54p) and for the year 34.35p (61.31p).

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres-ponding div	Total for year	Total last year
Allied Irish ......int	5.25	-	5	-	11.25
British Airways ....int	2.25	Jan 15	-	-	4.12
Ellis Goldstein ......int	0.9	Dec 29	0.9	-	2.6
Equity Consort ......int	4.38	Jan 4	4.26	-	14.3
External Inv. ....int	9	-	7.5	-✭	18
Great Portland ......int	2.75†	Jan 14	2.5	-	7.3
Hazlewood Foods .int	1.13	Jan 21	1	-	2.2
Klark-Teknik§ ......fin	0.8	-	0.7	1.3	1.1
Land Securities ....int	3.65	Dec 14	3.25	-	11
Ocean Wilsons ......int	0.5	-	0.5	-	2.5
Regalian Props ......int	1	Jan 5	0.63*	-	2*
Smiths Inds ....fin	4.5†	Jan 6	3.75	6.5	5.5
Wade Potteries .....fin	3	-	2.4	4.35	3.5
Williamson Tea .....fin	10	-	10	20	20

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. Unquoted stock. Third market. ✭Total of 20p forecast. ♦Irish currency throughout.

Newmarket Co assets hit by US downturn

Newmarket Co, venture capital company, reported a reduced net asset value of $2.15 for the nine months to September 30 1987, against $2.38 last time.

Total revenue from operations came to $739,000 ($679,000).

The chairman said that the reduction in net asset value was attributable to a particularly severe fall in the market value of the company's quoted US holdings, but the company had a number of exciting investments which had made significant progress in the last quarter.

Grampian Holdings in French purchase

Grampian Holdings, the Scottish sporting goods conglomerate, is buying the assets of Patrick SA, a French sports company best known for its range of rugby and soccer boots which is now in receivership. The cash consideration is FFr22m (£2.2m).

NOTICE OF REDEMPTION

To the Holders of

FINANCE FOR INDUSTRY LIMITED

(now Investors in Industry Group plc)

9¾% Sterling/U.S. dollar payable Bonds 1987

This is to remind you that December 15, 1987 is an annual redemption date as well as the final maturity date for the Finance for Industry Limited (now Investors in Industry Group plc) 9¾% Sterling U.S. dollar payable Bonds due December 15, 1987. On December 15, 1987, all of the outstanding Bonds will become due and payable at 100% of their nominal value. Interest will be paid in the usual manner.

Said Bonds may be presented for payment to Morgan Guaranty Trust Company of New York, 30 West Broadway, New York, New York 10015 or to the other Paying Agents named on the Bonds.

Bonds surrendered for payment should have attached all unmatured coupons appurtenant thereto. Coupons due December 15, 1987 should be detached and collected in the usual manner.

PAYMENT WILL BE MADE ON DECEMBER 15, 1987 AGAINST SURRENDER OF BONDS IN STERLING OR, AT THE OPTION OF THE BEARER, IN U.S. DOLLARS CALCULATED AS SET FORTH IN CONDITION 6 OF THE BONDS. SUCH OPTION TO RECEIVE DOLLARS IS IRREVOCABLE AND MAY BE MADE ONLY BY THE PRESENTATION AND SURRENDER OF SUCH BONDS, TOGETHER WITH A COMPLETED NOTICE OF EXERCISE OF DOLLAR OPTION, AT THE PRINCIPAL OFFICE OF ANY OF THE PAYING AGENTS NOT LATER THAN DECEMBER 4, 1987. INTEREST ON THE BONDS IS PAYABLE ONLY IN U.S. DOLLARS.

Payments will be made (i) in the case of any payment to be made in pounds sterling by a check drawn on, or by transfer to an account maintained by the payee with, a bank in London, subject in each case to any laws or regulations applicable thereto, and (ii) in the case of any payment to be made in U.S. dollars, at any agency outside New York City by a check drawn on a U.S. dollar account, or by transfer to a U.S. dollar account maintained by the payee with a bank in New York City, subject in each case to any laws or regulations applicable thereto. Any payment made within the United States or transferred to an account maintained by a non-U.S. payee with a bank in the United States may be subject to reporting to the United States Internal Revenue Service (IRS) and to backup withholding at a rate of 20% if payees not recognized as exempt recipients fail to provide the paying agent with an executed IRS Form W-8 certifying under penalties of perjury that the payee is not a United States person. Payments made within the United States to non-exempt U.S. payees are reportable to the IRS and those U.S. payees are required to provide to the paying agent an executed IRS Form W-9 certifying under penalties of perjury the payee's taxpayer identification number (employer identification number or social security number, as appropriate) to avoid 20% withholding of the payment. Failure to provide a correct taxpayer identification number may also subject a U.S. payee to a penalty of $50. Please therefore provide the appropriate certification when presenting your securities for payment.

From and after December 15, 1987 interest shall cease to accrue on the Bonds.

INVESTORS IN INDUSTRY GROUP PLC
By: Morgan Guaranty Trust Company of New York, Principal Paying Agent

Dated: November 12, 1987

UK COMPANY NEWS

Land Securities up 11% to £64.5m midterm

BY MARTIN DICKSON

Land Securities, Britain's largest property company, yesterday announced an 11 per cent increase in interim pre-tax profits, from £58.1m to £64.5m, and said its ordinary taxable income in the second half was not expected to differ materially from the first half.

Earnings per share totalled 8.32p (7.51p) and there was a 12 per cent rise in the interim dividend, from 3.25p to 3.65p.

Mr Peter Hunt, managing director, commenting on last month's collapse in share prices, said that while this might have knocked the froth off the top of the property sector, "the underlying strength of prime property is still there and we are confident of our developments in the City and central London and the locations in which we are working."

Land Securities was not dependent on the financial companies sector, which in any event was, not the only type of City tenant. The group, he added, was in a very strong financial position to carry out its development programme, manage its portfolio and acquire buildings - including buying opportunities which might be thrown up by the stock market crash.

In the six months to September 30, Land Securities produced rental income of £96.5m (£85.2m), while £14.3m (£6.1m) of interest receivable boosted total income to £118.6m (£97.6m). The group has raised £384m in the current year, which it said gave it sufficent cash resources to fund its current development programme. Aggregate borrowings exceed £900m.

The group said that it was maintaining good progress with its development programme, although the start of certain projects had been subject to delay. Work was under way on two City office buildings - including Salisbury Square House - which were both under offer to prospective tenants. Following the grant of planning permission, work was planned to start between January and June on a further 700,000 square feet in the City, West End and Victoria.

•comment

Long regarded as the sleeping giant of the property sector, Land Securities has stirred itself into a much more interesting operation under the leadership of Peter Hunt, who has been managing the portfolio far more aggressively. And the great crash, switching investors' interests from earnings to assets, has added to its attractions. Whatever the outlook for City property rentals and values, Land Securities remains well-cushioned. Its average rentals are far below the frothy peaks reached recently and reversions should continue to ensure a healthy rise in income. At the same time, the quality of its central London sites is high and it has a good mix between office and the still booming retail sector, where its warehouse portfolio is approaching 4m sq.ft. With nil currency exposure, an extremely strong balance sheet, and plenty of cash, it is a core defensive holding in the sector. About £130m pre-tax should be achievable in the full year, with a prospective n.a.v. of about 610p a share, compared with last night's close of 443p.

Regalian trebled to £12m

BY MARTIN DICKSON

Regalian Properties, residential developer, which sold a new headquarters building to the Financial Times last summer, yesterday announced a near trebling of interim pre-tax profits, from £4.1m to £11.6m. Earnings per share were up 61 per cent from 5.37p to 8.65p.

In the six months to September 30 turnover totalled £28.3m (£14.9m). Interest receivable was £902,000 (£163,000), while interest payable totalled £17,000 (£12,000). Tax took £4.1m (£1.4m). The interim dividend is 1p (0.62p), an increase of 60 per cent.

Mr David Goldstone, managing director, said that while the company was not complacent about possible continued uncertainty in the financial markets, it had the capacity to withstand the problems this might imply. It had seen no slackening of interest among purchasers for the three developments it had released since Black Monday.

The company's plans to develop a block of 20 exclusive flats in Kensington Palace Gardens would not be affected by the crash, since the potential buyers were extremely wealthy people for whom this was a mere hiccup. The development includes four penthouse apartments costing about £6.5m each.

•comment

Regalian occupies a unique niche in the housing market, combining a number of good London sites, particularly on the river, with a reputation in the provinces for the refurbishment of former council houses. The Horseshoe Court coup ensures it a very strong profits base this year and for the next two and gives the management the opportunity to take a longer-term strategic view of the market. Its exposure to docklands, which in the wake of Black Monday suddenly seems a much less exciting growth prospect, is limited to the more solid end of the market, while the Kensington Palace Gardens scheme domonstrates its imaginative stretching of wings. Pre-tax profits shmould reach £21m for the year, putting the shares, which closed at 118p, on a prospective p/e of about 7.5. Even in today's markets that looks cheap on a two-year view.

Klark-Teknik up 26%

Klark-Teknik, designer and manufacturer of electronic equipment, boosted taxable profits by 26 per cent on turnover up more than 51 per cent in the year to July 31 1987. Profits rose from £907,000 to £1.14m on turnover ahead from £2.97m at £4.49m.

The directors proposed a final dividend of 0.8p (0.7p), making a total of 1.3p (1.1p) for the year. After tax, up £100,000 at £431,000, earnings per 5p ordinary share jumped from 3.8p to 4.5p.

Mr Philip Clarke, chairman, said that the group had seen growth in all its major world markets: exports amounted to 84 per cent of turnover and the US and European markets grew by 47 per cent and 44 per cent respectively. US growth would have been higher but for the decline in the value of the dollar.

Dearden Davies Associates recorded sales of £1.79m (£982,000) in its first full year as a subsidiary of Klark-Teknik.

Peachey rights flop

THE MARKET rally is - so far - proving too little, too late for those companies with outstanding rights issues.

Yesterday it was the turn of **Peachey Property** to report that shareholders have taken up just 1.2 per cent of its £31.8m cash call. Peachey had said the reasons for the issue were "to strengthen the equity base, reduce borrowings and maintain expansion."

The rights price was set at 380p, a 15 per cent discount to the ruling market price ahead of the issue announcement. However, by the time the cash call closed on Tuesday afternoon, price had dropped to 300p.

Last week, about £500m-worth of unwanted rights issue stock ended up with the underwriters, and already this week has seen flops in a £28m issue by Local London, and a £6m call by coin and medal manufacturer, Birmingham Mint.

Gt Portland interim rise

Great Portland Estates, the property investment company chaired by Mr Richard Peskin, increased its rental income by £1m to £13.86m over the six months to end-September and for the period saw its revenue before tax rise from £10.4m to £12.06m.

After tax of £4.1m (£3.52m) net revenue worked through at £7.96m (£6.88m), equal to earnings of 5p (4.5p) per 50p share. The interim dividend is being lifted by 0.25p to 2.75p.

For the half year ground rents and other property expenses accounted for £1.59m (£1.94m). There was a surplus of £440,000 (nil) on sales of dealing properties and a contribution of £220,000 from the 50 per cent-owned Bride Hall Group from May 1.

Other expenses took £94,000 (£63,000) and net interest payable £774,000 (£442,000). The latter was after capitalising £621,000 into the cost of certain development properties.

The company's developments under construction comprise over 400,000 sq ft.

Acquisitions help lift Hazlewood to £13.9m

BY PHILIP COGGAN

Hazlewood Foods, the acquisitive foods group, announced more than doubled interim pre-tax profits yesterday after another active first half.

The figures included a first-time contribution from Van Heyningen Brothers, the tomato-growing company which Hazlewood acquired for £9m in November last year. Van Heyningen traditionally earns the largest proportion of its profits in the summer months.

The first half also saw a continuation of the group's expansion into Europe including the acquisitions of a smoked meat manufacturer, a beansprout grower, a waffle baker and 50 per cent of a frozen potato products company. On an annualised basis, Europe now represents around 20 per cent of the group's turnover.

Hazlewood has expanded rapidly over the past few years with the help of a welter of acquisitions of private food manufacturing companies. In June, the group launched a £53m one-for-six rights issue to help fund its acquisition programme. As a result, borrowings were eliminated although the timing of the issue means that the first half interest charge actually rose from £1.05m to £1.08m.

The company also plans capital expenditure of £10m this year - the major items of expenditure are the water-bottling plant at Campsie Spring, the re-equipping of the Evesham factory and the joint venture in Roman (Delicatessen Products).

Pre-tax profits for the six months to September 30 were £13.86m (£6.36m) on turnover 81 per cent higher at £153.8m (£85m).

After tax of £3.74m (£1.72m) and minority interests of £132,000 (nil), earnings per share were up 72 per cent to 5.87p from an adjusted 3.42p. The interim dividend is being increased to 1.125p (1p).

• comment

Hazlewood has consistently produced outstanding figures and these are no exception; even after allowing for a £5.8m contribution from acquisitions, organic growth was not far short of 30 per cent. Although the market crash will obviously put at least a temporary brake on Hazlewood's acquisition spree, the group has made so many purchases that it has built-in growth for another three years. Chilled and frozen foods are likely to be the stars. Assuming that full year profits reach £32m, the shares which rose 10p to 218p on yesterday's figures, are on a prospective p/e of 17. Although food is seen as a defensive sector in a bear market, that rating might put off cautious investors.

Ellis & Goldstein slips back to £1m

By Alice Rawsthorn

Ellis & Goldstein, manufacturer and retailer of womenswear, yesterday announced a fall in pre-tax profits from £1.5m to £1m for the first half of the financial year.

The fall reflected the company's problems in developing its new Jenni Barnes range of clothing and a new collection within the Eastex range. The company has also encountered problems in establishing its Dash leisurewear range in the US.

Mr Alan Philpott, chairman, said that "some things have gone wrong for us, others have not gone as well as we would have wished". But he stressed that E & G had taken "corrective action" and that profits should start to recover next year.

In the six months to August 1, external turnover rose to £38.4m (£36.6m). The problems with the new ventures reduced trading profits to £1.4m (£1.7m). The company paid £375,000 (£177,000) in interest and £347,000 (£561,000) in taxation.

Earnings per share fell to 2.4p (3.32p). The board declared an unchanged interim dividend of 0.9p.

The Dereta range performed reasonably well, as did Dash in the UK, where it encompasses 127 concessions and 24 shops (including franchisees). But Dash has run into problems in the US, where it has opened three shops in the past year.

E & G was now rationalising the concessions for its Eastex label in preparation for the launch of a new, more stylish look next spring. A new Eastex collection, EX, which was introduced a year ago, was being withdrawn.

The company was also experiencing difficulties with Jenni Barnes, a new range for working women launched 18 months ago. The number of Jenni Barnes concessions has been reduced - from the original 160 to 40 by next spring - and the range was being redirected towards a younger market.

E & G has appointed Mr Peter Horne, from Thorn-EMI, as its finance director.

Hanson Trust

Hanson Trust, famed for its speedy shedding of unwanted assets, is to streamline its name. If shareholders approve at a meeting on December 3, the conglomerate will become known as Hanson PLC.

Drayton Consd

Net asset value per 25p share of **Drayton Consolidated Trust** was 713¾p at the year end on September 30 1987 compared with 459p last time.

The proposed final dividend is increased to 9p (8p), making 12p (10.75p) for the year.

Crowthers in £3m deals

BY ALICE RAWSTHORN

Crowthers, the acquisitive carpets and clothing group, is expanding within the foundationwear sector by acquiring two businesses, Ballet International and Arno Exports, from **Arnotts,** the retailing group, for £2.92m cash.

When the acquisition is completed, Crowthers intends to use the Ballet manufacturing plant in Dublin for the production of its Pierre Cardin lingerie range and for the launch of a new high-fashion range of lingerie to be unveiled next spring.

In the past two years, Crowthers has built up substantial interests in the carpets and clothing industries through a whirl of acquisitions. It has since rationalised and restructured its clothing businesses.

Crowthers shares have suffered badly during the recent stock market crisis. The group does not envisage any further significant acquisitions in the UK. Instead it intends to expand overseas and to augment its interests with "niche" takeovers like the purchase of Ballet and Arno Exports.

Arnotts proposes to invest the proceeds of the disposal into its core retailing business.

Public Works Loan Board rates

Effective August 12

Years	Quota loans repaid by EIP†	Quota loans repaid A††	Quota loans repaid at maturity§	Non-quota loans A* repaid by EIP†	Non-quota loans A* repaid A††	Non-quota loans A* repaid at maturity§
1			8⅝			9⅛
Over 1 up to 2	8⅝	8⅝	8¼	9⅜	9⅜	9
Over 2 up to 3	8⅝	8½	8⅜	9⅜	9⅜	9⅛
Over 3 up to 4	8⅝	8⅝	8½	9⅜	9⅜	9¼
Over 4 up to 5	8⅝	8⅝	8½	9⅜	9⅜	9¼
Over 5 up to 6	8⅝	8⅝	8½	8⅞	8⅞	9
Over 6 up to 7	8⅝	8½	8⅝	8⅞	9	9⅛
Over 7 up to 8	8½	8½	8⅝	9	9	9⅜
Over 8 up to 9	8½	8½	9	9	9	9½
Over 9 up to 10	8½	8½	9	9	9	9½
Over 10 up to 15	8¾	9	9	9¼	9½	9½
Over 15 up to 25	9	9	9⅜	9½	9½	9⅝
Over 25	9⅛	9⅛	9⅜	9⅝	9⅝	9⅝

*Non-quota loans B are 1 per cent higher in each case than non-quota loans A. †Equal instalments of principal. †† Repayment by half-yearly annuity (fixed equal half-yearly payments to include principal and interest). § With half-yearly payments of interest only.

Equity Consort net assets rise

Equity Consort Investment Trust reported net asset value per £1 ordinary share of 529p at the end of the six months to October 31 1987 compared with 467p. Net assets per 50p deferred share were 857p (734p).

The directors declared an interim dividend of 4.38p (4.26p). Tax took £146,379 (£196,224) after which earnings per ordinary share fell from 11.88p to 10.12p and per deferred share from 17.76p to 14.26p.

UK COMPANY NEWS

Optimistic Smiths tops £65m

BY DAVID WALLER

Smiths Industries, the aerospace and medical systems company which this summer bought the avionics division of Lear Siegler Holdings for $350m (£197m), yesterday announced a 16.2 per cent increase in pre-tax profits for the year to August 1.

At £65.7m, taxable profits were just ahead of the company's forecast made at the time of the acquisition. The shares responded strongly, having taken a severe battering in recent weeks due to Smiths' perceived exposure to the US economy.

Mr Roger Hurn, chief executive, sounded an optimistic note for the current year and predicted that there would be no earnings dilution as a result of the acquisition of the Lear Siegler businesses, which made no contribution to the 1986-87 figures.

Interest income rose more than four times to £3.45m (£0.84m), reflecting the company's strong cash-generation during the year, from both trading and asset disposals. At the year-end, net cash and short term investments were £54.7m (£20.6m). Earnings per share were 18 per cent ahead at 19.4p and a final dividend of 4.5p makes 6.5p for the year (5.5p).

Aerospace generated a 15.4 per cent rise in trading profits to £27.15m on turnover of £189.05m. Medical systems, the other core division, mustered a 17 per cent profits increase to £20.46m on sales of £100.1m.

The lower margin industrial division showed a slight decline in profits to £11.97m, reflecting problems at two US subsidiaries, SI-Tex Marine and Aero Electric Connector.

comment

Thought to be a smart move back in August, Smith Industries' acquisition of Lear Siegler Avionics has been the death of the company's share price, which in the last few weeks has fallen to below half its high for the year. Clearly, increased exposure to the US economy, and worst of all, the soon-to-be-lopped defence budget, is perceived by the market to be no good thing. Investors are worried that the anticipated improvement in trading margins at Lear Siegler - which were 8.2 per cent in 1986 against 14.7 per cent in Smiths' aerospace business - will be wiped out by the falling dollar. Certainly the company's practice of translating profits at year-end exchange rates makes predictions for the current year fuzzy round the edges at £92m-£95m. But the low dollar will help retrofit exports from the US to the Third World, and the shares seem oversold on a prospective p/e of 8½.

Blacks back into profit with £437,000

BY NIKKI TAIT

Blacks Leisure, the camping and leisurewear company which was saved from receivership by a £1m consortium package last October, yesterday celebrated the anniversary of its survival by announcing its first profit since 1983.

Yesterday Mr Bernard Garbacz, the chairman and chief executive of the group who led the original rescue, said that he was "delighted at the way things are going."

In the six months to the end of August, the company made a pre-tax profit of £437,000 on sales of £9.9m.

Because of tax losses available in certain Blacks companies, the tax charge in the first half was just £92,000 and there was an extraordinary surplus of £223,000 - a write-back of past over-provision for rationalisation costs. Attributable profits, therefore, totalled £568,000.

Rationalisation of the core chain was largely complete, and he added that the company was "hopeful" of paying a final dividend following its capital reconstruction, approved this week.

comment

It is an unfortunate irony that while Blacks shareholders were backing the company on blind faith - or speculative greed - the price soared away to over 50p; now that some fundemental evidence of the new management's strategy has emerged, it is languishing at 19p (despite a 2½p rise yesterday). But at least those who didn't cut and run can now make a sensible assessment. The company has warranted profits from most of its acquistions totalling £2.4m for 1987/8; Miss Sam made £1.27m in the first half of 1986/7, and will shortly report full-year figures to September; on top of that, there is the core Blacks contribution (traditionally better in the Christmas half). In short, £6m-plus for the full year looks a conservative estimate. With a 25 per cent tax charge, the prospective p/e would be 16 - scarcely bargain in these markets but no longer stratospheric - and a return to the dividend list could encourage institutional support. Moreover, while the net asset base remains lean (£10m-plus), there is at least a current cash balance of £4m-£5m. From these figures, Blacks has clearly come a long way in a year - but then so has the market.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the sub-divisions shown below are based mainly on last year's timetables.

TODAY

Interims- Apricot Computers, Bank of Ireland, London International, Oxford Instruments, R. Smallshaw (Knitwear), Stavely Industries, Thames Television, Tie Rack, Yale and Valor.

Finals- BOC Group, Bellway, M.J. Gleeson, North Atlantic, Welcome.

FUTURE DATES

Interims-

BET .... Nov 23

Berkeley Group .... Dec 8
Borland International .... Nov 16
Downiebrae .... Nov 20
King and Shaxson .... Nov 19
Rothmans International .... Nov 26
Smith St. Aubyn .... Nov 19
Spandex .... Nov 16

Finals-

Burton Group .... Nov 19
Clyde Blowers .... Nov 16
Dundee and London Investment Trust .... Dec 1
Govett Atlantic Investment Trust .... Nov 20
Hardanger Properties .... Nov 17
Macarthy .... Dec 17
Rodime .... Nov 19

Doubled profit at Phoenix

Phoenix Properties & Finance, which acquired Rohan, Irish property developer and construction group, in July, more than doubled pre-tax profits from £1.1m to £2.52m in the nine months to September 30 1987.

Turnover increased from £17.48m to £19.21m and earnings per 25p share worked out at 5.47p (3.15p) after tax of £689,000 (£165,000). All figures and comparisons are on a merger accounting basis. Phoenix's own pre-tax profit for 1986, prior to the acquisition, was £115,998 and turnover amounted to £3.16m.

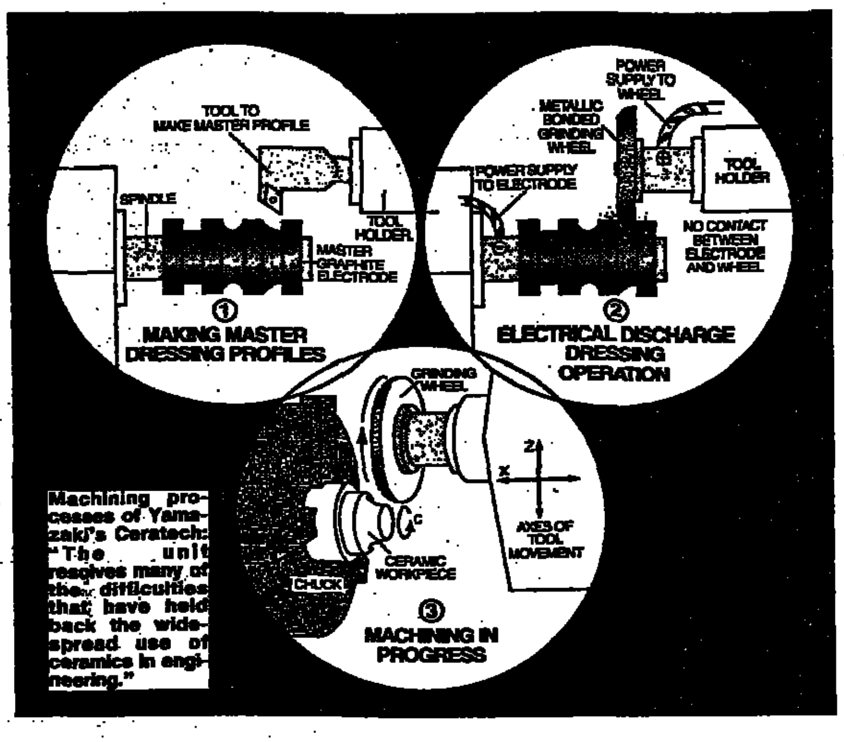
Wade Potteries rises to £2.3m

Wade Potteries, manufacturer of ceramic products, lifted taxable profits from £1.67m to £2.32m on turnover ahead from £17.38m at £18.47m for the year ended July 31 1987.

The directors proposed a final dividend of 3p (2.4p), making a total of 4.35p (3.5p) for the year. After tax of £804,623 (£570,502) earnings per 10p ordinary share were shown as 14.38p (10.36p).

The directors added that there had been a slow start in some areas but demand was now improving and the company looked forward to a reasonably encouraging outcome for the current year.

TECHNOLOGY



Machining processes of Yamazaki's Ceratech: "The unit resolves many of the difficulties that have held back the widespread use of ceramics in engineering."

Pumping new life into the heart of Japanese manufacturing

Nick Garnett examines a three-pronged move to retain machine tool dominance

ARE THE Japanese gearing up for another assault on the European and North American machine tool markets? Yes they are, say many European machine makers. And they believe they know where the attacks will come from.

For years the Japanese have relied on their excellent machine tool capability to make products and components at manufacturing costs against which the West has found it tough to compete.

Japan will not cede this advantage easily and looks set to mount a new challenge in three areas of the machine tool market. These are production machinery for vehicle building, standard computer numerically-controlled machining centres and lathes assembled at plants outside Japan, and specialist machines.

This third area is one where until now the Japanese have not directed much of their energy. But innovation and the development of new technology in this sector of the industry will play a key role in their renewed attack on the machine tool market.

That there is still a commitment in Japan to spending big money on machine development was demonstrated at last month's European machine tool show in Milan where Yamazaki, a family-owned machine tool business, appeared with a grinding machine for ceramic components. It is claimed to be the first computerised ceramic machining system.

The machine, which, in a sense, manufactures part of its own "tooling" is also claimed to be fast, capable of carrying out rough and finished grinding, and is suitable for mass production.

"This machine will provide the opportunity for taking ceramics out of the laboratory and into the workshop," says Les Pratt, Yamazaki's marketing manager for Europe.

The view such advanced machining capability gives of the likely direction of Japanese machine tool development comes against a background where for the last year or so the country's industry has been bemoaning its fate. Japan may be the world's biggest machine tool maker, but many of its largest companies have been racking up losses

The voluntary restraint accord with the US, signed at the end of last year, cut Japanese machine tool exports to North America, the world's largest machine tool market. Buffeted by the value of the yen, Japanese machine exports to the EC appear to have slumped by as much as 30 per cent in the first half of this year. As a sign of the times, Makino Milling announced this week its first half year loss since listing its shares in 196-.

Most of Japan's European machine tool *competitors believe this is just a temporary* lapse. Japan more than any other nation, with the possible exception of West Germany, recognises the strategic significance of the machine tool industry.

The Europeans see a major threat coming from the alliances being formed between Japan's car manufacturers and their international competitors. Japanese car companies, some of which have their own, and very large machine tool divisions, now have something like 15 separate manufacturing agreements with European and North American car builders.

General Motors has deals with Toyota, Suzuki and Isuzu. Nissan is linked with Volkswagen and Motor Iberica of Spain, while Chrysler is tied up with Mitsubishi, as is Mercedes-Benz in van building. Mazda is associated with Ford, Honda with the Rover Group and Suzuki with Land Rover Santana. Daihatsu is due to sign a deal soon with the Polish car industry.

In all these arrangements, Japanese car companies either have joint manufacturing arrangements or are supplying vehicles which are badged as North American or European.

The machine tool divisions of the Japanese car companies manufacture a range of equipment for car plants, including transfer lines and special machinery for engine components.

West German and US machine tool builders are the world's biggest suppliers of this type of machinery and, in many areas, have a technological advantage over the Japanese.

It seems, though, as if the Japanese will use their increasingly powerful grip on the world's motor industry as a launching pad to try and obtain control over car building machine technology and markets.

This promises to be a tremendous battle with German and US machine makers, one which shows signs of breaking out already in Korea where both German and Japanese technology is used on car production lines.

At the same time, the Japanese are rapidly extending their machine building capabilities in North America and Europe. Opening assembly plants in the US has been a theme of their strategy for the past five years or so, and they are now transferring this philosophy to Europe.

In the past year, Amada has purchased Promecam Sisson-Lehman in France and will begin making presses and shearing equipment there. Mitsui Seiki is building a facility outside Paris to make machining centres. Mori Seiki is discussing with the French government the possibility of setting up a production facility near Paris while Toyoda, the machine building arm of Toyota has taken majority control of Ernault-Toyoda, a machining centre and lathe producer.

Outside France, Makino this year increased its stake from 50 to 86 per cent in Heidenreich and Harbeck which makes Makino-designed machining centres in West Germany. Yamazaki also came on stream with its £35m facility at Worcester, England, producing lathes and machining centres.

These plants will help the Japanese overcome some of the problems of the revalued yen. They will also put them closer to their European customers, an increasingly important requirement in selling machining systems made up of linked machines in so-called "cells."

Yamazaki's move into the field of ceramics is indicative of the importance being attached by the Japanese manufacturers to machine tools for the motor industry. The materials are under test for applications in *car and truck engines. For example,* Nissan displayed a ceramic-engined car at the recent Tokyo motor show. In addition ceramics already have a tentative foothold in the aerospace and pump seals industries.

Made by firing compressed powders, ceramics are hard materials, very resistant to wear, high temperatures and chemical erosion though they are also very brittle.

Some of these properties provide opportunities for all sorts of applications but they also make the material difficult to machine.

Up to now almost all ceramic components have been cast into shape and then finished on conventional grinding machines. Yamazaki says this is slow, generates serious tolerance problems and provides little flexibility in terms of shapes.

The new Yamazaki machine, called the Ceratech, was developed with the help of Tokyo University's production engineering institute. Still a prototype, the company says it could build production models now to special order. The industry is expecting a price tag of around £150,000 to £250,000.

Ceramics cutting and shaping is carried out on the machine by conventional metallic bonded grinding wheels – wheels of iron or steel with an outer surface of diamonds. *The problem with grinding ceramics is that* the grinding wheel, although very hard, still suffers from pretty rapid wear, the diamonds (or carburundum if that is used) breaking away and losing the shaping edge's profile. This then requires trueing and dressing - bringing the wheel back to balance and "shaving" the wheel surface.

For trueing and dressing, Yamazaki uses the proven technique of electro-discharging, an electrical current which, through spark erosion, burns away part of the wheel's surface.

Electro-discharging requires a graphite electrode. Each electrode must have the same configuration as the particular wheel it is helping to true and dress. The Ceratech system creates its own electrode profiles by actually machining them, using tools mounted in a tool magazine. By programming the wheel shapes into its electronic control system, Ceratech has a master memory which instructs the tool to make the right graphite profile for any one of the 15 different configurations of grinding wheel used by the machine.

Curved, rounded and angular pieces can be shaped by the machine which also has an adaptation for making holemaking easier. *Internal grinding is carried out by* vibration; but the machine produces ultrasonic sounds, cutting down the appalling noise that this type of work sometimes generates.

The whole system is just emerging, says the company, "but this unit resolves many of the difficulties that have held back the widepread use of ceramics in engineering."

US security in eye of beholder

BY PETER MARSH

SECURITY-CONSCIOUS organisations which use computers will increasingly subject their employees to equipment that monitors their handwriting, voices and eyeball characteristics to check their identities.

The most fool-proof identifica*tion methods, according to a* study* by the US Office of Technology Assessment (OTA), are techniques to scan the blood vessels in people's retinas. No two people, even identicial twins, have the same pattern.

The state of the person's health and other factors such as whether the individual has grit in his or her eye are unlikely to affect the recognition procedures.

*Retina-identification equip*ment is currently highly expensive, at up to $10,000 for one machine. The cost would have to be brought down to nearer $2,000 for the systems to be commercially acceptable, says the OTA, which is a research arm of the US Congress.

Hardware for scanning eyeballs is among a family of so-called biometric systems that may be useful in protecting the *security of computers. Biomet*rics uses biological characteristics, the most obvious of which are fingerprint patterns but which also include the speed at which people type and the exact sound of their voices, to identify a person before he or she is allowed to feed data into a computer or take it out.

Biometrics has to some degree *already been introduced in per*sonal identification systems used in the place of locks and keys to monitor people attempting to enter high-security buildings, such as banks and military establishments. The technique's use in computers has so far been limited.

But this may change, says the study, as users of computers become more security concious. "As the use of (computer) systems increases, the vulnerabilities, threats, and risks of misuse have become clearer, and information security has become a prominent issue for many government agencies and private users."

Useful biometric techniques listed by the report include:

●Hand geometry. Automated methods measure the distance between fingers when outstretched or take infrared *images of the people's hands,* identifying minute troughs and peaks in the surface. Problems can occur if an individual suffers a cut or sprains a wrist, events which change his or her hand profile and disrupt the identification system.

●Fingerprints. Techniques based on fingerprints are probably the most advanced form of *biometrics. There are about 100* fingerprint-based identification systems installed in the US, mainly in high-security premises to check on people who want to have physical access.

●Voice identification. Here the systems are not fool-proof. A bout of coughing or a nervous laugh can make it appear that a person authorised to use a computer system is in fact an imposter.

●*Signature dynamics and key*board rhythms. Some studies have suggested a person always writes his or her name or thumps the keys of a computer in the same way. As a result, systems linked to personal patterns of this sort could be used in high-security equipment. More work probably needs to be done before the hardware is fully commercial.

*Defending Secrets, Sharing Data, Office of Technology Assessment, Government Printing Office, Washington DC

Competitor in view for BT

BY GEOFFREY CHARLISH

TIMEFRAME EPNITEX of the UK has launched its public videotex service in competition *with British Telecom's Prestel.*

In videotex, a user has a computerised colour display terminal connected to an information memory bank over a telephone line. "Pages" of information, put into the bank by information-providing companies, can be accessed using the keyboard, often via "tree and branch" techniques that enable particular pieces of *data to be found.*

Epnitex, however, has added refinements. For example, the screen is automatically updated if the information in any of the 1m available pages is changed at the source.

More important, however, is an added service called Epnimail, in which all the users are provided with a "telephone number" and can have screen-compiled messages sent to them from another terminal. Screen users are told if there is a message waiting for them by means of an alerting note which appears at the top of the screen. They can even be automatically radio-paged

French take packaging into the field

BY GEOFFREY CHARLISH

*PARIS COMPANY Vacu-O-Lead*er has designed a disc-shaped two-way plastic valve which, welded on to a bag or package can be used for vacuum sealing or for injecting a protective gas like carbon dioxide. It thus becomes possible to package foods on site. This means, for example, *that crops can be taken straight* from harvesting and packed at the earliest stage to preserve maximum freshness.

For air removal, the French company has also developed a hand-held vacuum gun, for use on the valve, and a larger powered unit drawn by a tractor.

Air removal is an effective way of preventing biological degradation. But the French system is also suitable for other materials including paints, pharmaceuticals and natural textiles, where it has the added advantage of reducing the volume of the package by 50 to 70 per cent.

Company Notices

SECOND NOTICE OF REDEMPTION
To the holders of
MURATA MANUFACTURING COMPANY, LTD.
U.S.$ 100,000,000 3½ per cent. Convertible Bonds 1999
and U.S.$100,000,000 3½ per cent. Convertible Bonds 2000 (together the "Bonds")

Second notice (the first notice was given on 30th Septemer, 1987) is hereby given that, pursuant to Condition 6(B) of the Trust Deed dated 6th February, 1984 and the Trust Deed dated 29th June, 1984 each between The Fuji Bank and Trust Company (the "Trustee") and Murata Manufacturing Company, Ltd. (the "Company"), the Company will redeem all the Bonds on 25th November, 1987 at a price of 104 per cent.of the principal amount of the Bonds with accrued interest thereon to the said redemption date.

The Bonds will cease to bear interest from the said redemption date, and principal, premium and accrued interest of the Bonds will become due and payable on the said redemption date.

Payment of the Bonds shall be made against surrender thereof, together with all coupons appertaining thereto remained unmatured, on and after the said redemption date.

Any Bond may be converted into shares of the Company, at the option of the holder thereof, up to the close of business (in the place of the office of the Conversion Agent where the Bond is deposited for conversion) on 25th November, 1987 and therafter the conversion right of the holder thereof will become null and void.

Conversion or payments of the Bonds shall be made at: The Fuji Bank, Limited, 25/31 Moorgate, London EC2R 6HQ; Dai-Ichi Kangyo Bank Nederland N.V., Singel 540, P.O. Box 10056, 1017 AZ Amsterdam; Swiss Bank Corporation, Aeschenvorstadt 1, P.O. Box 1132, CH-4002 Basle; Morgan Guaranty Trust Company of New York, 35 Avenue des Arts, B-1040 Brussels; The Tokai Bank, Limited, Bockenheimer Landstrasse 51-53, D-6000 Frankfurt/Main 17; Yasuda Trust and Finance (Hong Kong) Limited, 1601 Hutchison House, 10 Harcourt Road, Hong Kong; The Long-Term Credit Bank of Japan, Ltd., 18 King William Street, London EC4N 7BR; The Sumitomo Bank, Limited, Temple Court, 11 Queen Victoria Street, London EC4N 4TA; Citibank (Luxembourg) S.A., Avenue Marie Therese 16, Luxembourg; Kredietbank S.A. Luxembourgeoise, 43 Boulevard Royal, P.O. Box 1108, Luxembourg; Bayerische Vereinsbank Aktiengesellschaft, Kardinal-Faulhaber-strasse 1 and 14, D-8000 Munich 2; The Bank of Tokyo, Ltd., 4-8, rue Sainte-Anne, 75001 Paris; The Sumitomo Trust & Banking Company Limited, UIC Building, 5 Shenton Way, #02-16 Singapore 0106.

Conversion price of the Bonds as of 12th November, 1987 is as follows: Bonds due 1999, Yen 1,951.30 per Share; Bonds due 2000, Yen 1,990.70 per Share.

The closing price of the shares of the Company on the Osaka Securities Exchange on 9th November, 1987 was Yen 2,300.

The fixed rates of exchange applicable upon conversion of the Bonds into shares of the Company are as follows: Bonds due 1999, Yen 235.15 per U.S.$1.00; Bonds due 2000, Yen 233.45 per U.S.$1.00.

The aggregate principal amount of the Bonds outstanding as of 9th November, 1987 were as follows: Bonds due 1999, U.S.$3,485,000; Bonds due 2000, U.S.$3,750,000.

MURATA MANUFACTURING COMPANY, LTD.
26-10 Tenjin 2-chome,
Nagaokakyo-shi, Kyoto, Japan.
Dated 12th November, 1987

LEUMI INTERNATIONAL INVESTMENTS N.V.

US $20 MILLION GUARANTEED FLOATING RATE NOTES 1987 SERIES "C" EXTENDIBLE TO 1990

The interest rate applicable to the above Notes in respect of the six month period commencing 12th November 1987 has been fixed at 7 11/16% per annum.

The interest amounting to US $38.86 per $1,000 principal amount of the notes will be paid on 12th May 1988 against presentation of Coupon No.15.

BANK LEUMI TRUST COMPANY OF NEW YORK
Principal Paying Agent

bank leumi

Allied Irish Banks, p.l.c.

Notice is hereby given that the Ordinary Share Register of the Company will be closed from 4th December 1987, to 9th December 1987, both dates inclusive, for the purpose of preparing warrants for an Interim Dividend on account of the year ending 31st March 1988, which will be posted to Shareholders on 15th December 1987.

Bankcentre, Ballsbridge, Dublin 4.
By Order of the Board
D.B. Meyer
SECRETARY

12th November 1987.

JF PACIFIC WARRANT COMPANY S.A.

Societe Anonyme
Registered Office : 2, boulevard Royal, Luxembourg
R.C. Luxembourg B-24492

Shareholders are hereby convened to the
ANNUAL GENERAL MEETING

Of shareholders of JF PACIFIC WARRANT COMPANY S.A. will be held at the head office of Banque Internationale a Luxembourg, Societe Anonyme, 2, boulevard Royal, 2953 Luxembourg, on Friday, November 20, 1987 at 3.00 p.m. with the following agenda:

1. Submission of the Reports of the Board of Directors and of the Statutory Auditors.
2. Approval of the Statement of Net Assets as at June 30, 1987 and of the Statements of Operations for the period then ended; Appropriation of the Net Profits
3. Discharge of the Directors and of the Statutory Auditors.
4. Receipt of and action on nomination of the Directors and of the Statutory Auditors.
5. Miscellaneous.

The shareholders are advised that no quorum is required for the items on the agenda of the annual general meeting and that decisions will be taken on a simple majority of the shares present or represented at the meeting with no restriction.

In order to attend the meeting of November 20, 1987 the owners of bearer shares will have to deposit their shares five clear days before the meeting at the registered office of the Company or with Banque Internationale a Luxembourg, Societe Anonyme, 2 boulevard Royal, Luxembourg.

The Board of Directors

THE COMMERCIAL COMPANY OF SALONICA PLC.

NOTICE IS HEREBY GIVEN that the Seventy sixth Annual MEETING of the company will be held at the company's offices in Athens (Greece), Kerkyras street 49 on Thursday the 17th day of December, 1987 at 10:00 a.m. for the following purposes:

1) To receive the Report of the Directors and the audited accounts of the Company for the financial year ended 31st December 1986.
2) To propose the following resolution for the re-election of Directors of which special notice has been given to the Company in accordance with sections 42 and 185 of the Companies Act 1948: that Mrs. Charlotte J. Saporta and Mr. Dimitrios P. Spiliacos who has attained the age of 70 years be re-elected as directors of the Company.
3) To approve the re-appointment of Mr. Antonios F.Coumboulis who offers himself for re-election as director of the Company.
4) To approve the re-appointment of Hardy & Co. as auditors of the Company.
5) To approve that the remuneration of the Auditors shall be fixed by the Board and to determine the remuneration of the Directors.

In accordance with article 21 of the Articles of Association Shareholders desiring to be present or to vote at the meeting must deposit their shares at least five days before the Meeting at the offices of the Company at Thessaloniki, or the Company's offices in London, Messrs. Hardy and Co., 166 Streatham Hill, London SW2 4RU or at Pierson, Heldring & Pierson, Amsterdam.

Any member of the Company entitled to attend and vote at the Meeting may appoint another person (member of the Company or not) as his proxy to attend and vote instead of him.

Salonica, October 27th, 1987

By Order of the Board
CHARLOTTE J.SAPORTA
Director

Art Galleries

Clubs

COMMODITIES AND AGRICULTURE

EC forced to abandon ethanol plan

By Quentin Peel in Brussels

THE EUROPEAN Commission yesterday abandoned a plan to subsidise the production of bio-ethanol as an alternative fuel from surplus grain and sugar-beet.

In the face of damning conclusions on the economics of such schemes, and strong opposition from many leading Commissioners, Mr Jacques Delors, the Commission President, agreed that the idea should be shelved for the time being.

The decision will be a major blow to strong agro-industrial lobbies in France and Italy, led by Mr Raoul Gardini's Ferruzzi combine, which had hoped for a substantial subsidy programme to h+elt reduce the Community's food surpluses.

In the end the opposition within the European Commission, led by Britain's Lord Cockfield, Mr Peter Sutherland, the Competition Commissioner, and Mr Henning Christophersen, the Budget Commissioner, forced its abandonment.

An independent study into bio-ethanol production had concluded that it would require subsidies more than twice the level of current export subsidies to be viable.

It actually concluded that it would produce more energy to burn the surplus crops than to turn them into the fuel.

Bio-ethanol production would also result in substantial by-products of cereal substitutes such as starch and gluten, to the tune of some 374 kg per tonne, which would further erode available cereal markets, the study said.

Supporters of the plan argued that it would provide another outlet for the EC grain and beet surplus, and give a much needed political signal to farmers that their interests were not being ignored in the farm reform process.

Opponents said that not only were such plans hopelessly uneconomic, but the fuel was an expensive and environmentally unattractive additive to petrol.

In spite of the setback, EC officials expect France to go ahead with support for bio-ethanol production, although the Italian government is much more divided on the issue.

The idea will be discussed once again by EC Energy Ministers on Friday, but they are not expected to give it much support.

At Feruzzi Group headquarters in Ravenna, a spokesman for Mr Gardini said the Italian concern would have no comment on the decision until the official communique from Brussels was published. "We want to study that first," he added.

Supply tightness drives copper to record price

BY KENNETH GOODING, MINING CORRESPONDENT

THE CASH price of grade A copper reached a record £1,540 a tonne in early dealings on the London Metal Exchange, yesterday.

At the same time the backwardation (the premium for cash metal over the forward price) reached an unprecedented £320 a tonne.

"People need copper in the next two or three weeks and are willing to pay substantial premiums to get it", commented Mr Robin Bhar of Rudolf Wolff, the metal trading group.

He suggested the tightness in copper supplies could continue for another three or four months.

There is no limit to backwardation and nothing the LME can do to stop it going even further, unless it suspects someone is trying to corner the market - "and there is no suspicion of that so far", said Mr Bhar.

In afternoon trading the cash price eased back to £1,470, still £62.50 ahead of Tuesday's close. The three month price ended £28.50 up at £1,203.50 a tonne.

Demand for copper has outstripped supply for the past four years and stocks are now at an exceptionally low level.

Shearson Lehman Brothers pointed out in its Metal Markets Review yesterday that combined LME and Comex (New York Commodity Exchange) stocks are now at an inordinately low level of 113,766 tonnes compared with 261,000 tonnes at the end of 1986.

"Such levels have not been seen since 1974", said Shearsons, adding that strikes which have spread through the Peruvian copper industry - which supplies about 6 per cent of non-socialist world production and 3 per cent of refined output - have contributed the the bullish sentiment.

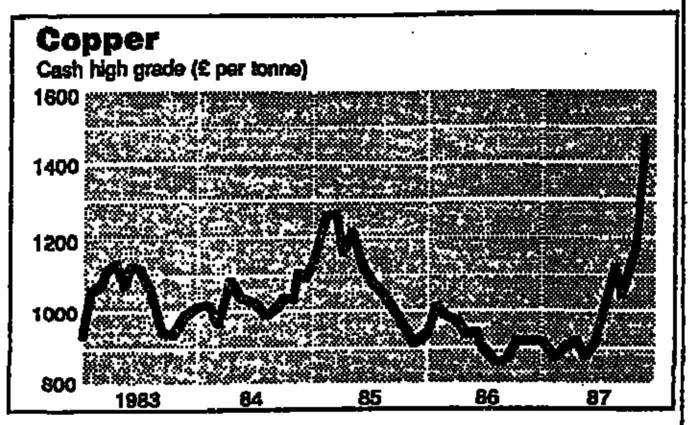
Meanwhile, US copper producers this week have increased their prices above the psychologically important $1 a lb level - yesterday Phelps Dodge said it was raising the price for wholeplate electrolytic copper cathode by another 5 cents to 110 cents a pound, effective immediately.

In a separate development yesterday, the LME suspended trading in its standard copper contract further forward than three months delivery, effective immediately.

This was to enable the LME authorities to explore the possible introduction of fire refined copper as a deliverable quality against the standard contract, said Mr Michael Brown, the chief executive.

Traders pointed out that there was little interest in standard copper - about 250 tonnes a day is traded compared with about 225,000 tonnes of grade A copper.

However, consumers wanted to continue the trade in standard copper.



Tungsten Association calls it a day

TUNGSTEN MINES worldwide have been shutting down at such a rate that the main producers' association has decided to close at the end of the year, Reuter reports from Geneva.

Prices for tungsten, a valuable hard metal used to make light bulb filaments and to strengthen steel, are lower than at any time since 1968 after adjusting for inflation.

Because so many producers have simply stopped mining the metal, the Primary Tungsten Association, representing nearly two-thirds of all production and 90 per cent of exports, has decided to close.

"There simply were not enough producers," said Mr Michael Maby, head of the group.

Delegates at a UN-sponsored review of the tungsten market said Canada, France, Spain and Rwanda had stopped producing tungsten. The US is producing one-twentieth its level of a decade earlier.

Tungsten holds its form at temperatures at which iron would boil, and is used in rockets and missiles as well as in equipment for steel and aluminium mills.

Bad weather hits Australian grapes

BY CHRIS SHERWELL IN SYDNEY

VINEYARD OPERATORS in the key wine-producing region of South Australia are this week still trying to estimate the costs of the freak hail storm and frost attack which swept through the area last month.

The bad weather struck at an important moment in the early growth of this year's grapes and is seen as a damaging setback for the 1988 vintage and potentially for the country's thriving wine exports.

Prices for certain grape varieties almost doubled to A$2,000 (£750) a tonne at one point, but according to the Adelaide-based Wine and Brandy Producers' Association the speculation is starting to die down and prices have eased back. The association also believes the damage may be patchier than was thought at first.

The worst estimates suggest grape production in South Australia will be down by some 20,000 tonnes, or more than 7 per cent of the state's 275,000 tonne crop. Pessimistic estimates put the figure at 10,000 tonnes.

The true answer may never be known, since the remaining crop may still benefit or suffer from conditions over the rest of the growing period.

South Australia accounts for about 56 per cent of the country's grape output. From the export point view the damage could not be worse-timed. Although only a small proportion of total output goes to exports, they have expanded rapidly -recent monthly figures of 3m-3.4m litres are around double those of last year, which was itself a record.

The spring frost attack occurred in the southerly areas of Coonawarra and Padthaway, both well known for their premium red and white wines.

Temperatures were reported to have dipped to minus seven degrees Centigrade. Padthaway is said to have lost half its crop and Coonawarra about a quarter. However, there could yet be some re-growth.

The hail storm came a few days later in the Barossa Valley area, immediately north of Adelaide, hitting places like Eden Valley, Rowland Flat and Lyndoch.

No area was hit by both frost and hail. Producers affected by the frost include Hardy's, Seppelt's and Lindemans. The hail mainly affected independent growers and vineyards belonging to Penfolds and Yalumba.

According to the Wine and Brandy Producers' Association, the weather damage means there will not be enough Pinot Noir or Chardonnay grapes available this season. Supplies of Cabernet and Shiraz grapes will also be hit.

Predictably, the immediate effect of the weather damage has been to drive up the price of premium variety grapes. Prices hit A$2,000 a tonne, but quotes have since come back below A$1,500.

Brazilian orange juice prices jump

By Ann Charles in Sao Paulo

THE STRENGTH of New York orange juice futures has triggered two sharp rises in as many weeks on the Brazilian market. And this week's jump, to US$1,370 per tonne, fob Santos, has raised hopes that export earnings could rise a further 17 per cent this year.

The marketing director for Abrassucos, a Brazilian orange juice manufacturers association, Mr Jose Carlos Goncalves, said that orange juice prices seemed to be attracting renewed interest from speculators. Estimates for a reduced orange crop from Sao Paulo state due to a recent drought have also contributed to increasing international prices, but Mr Goncalves expects that the harvest will suffer only about a 10 per cent decline in volume.

The 1987-88 crop year, beginning in July, had been projected to yield 260m boxes (40.8 kgs per box). Mr Goncalves thought estimates of 200m to 220m boxes were too pessimistic and thought the final yield would be around 240m boxes.

Earlier worries that increasing Brazilian inflation was driving the cost of insecticides and fungicides out of reach of many citrus growers and thereby threatening crop yieds further have been allayed somewhat, with juice processors agreeing to advance funds to growers last month and again in December so that orange groves can be treated.

Cacex, Brazil's foreign trade agency, adjusts the official export registration price for orange juice per tonne when the average of the preceding 20 days on the New York commodities exchange fluctuates by $25. Mr Goncalves said that the agreement with Cacex to adjust the export price only when the $25 trigger is reached is for the convenience for exporters, to avoid daily price changes, and does not constitute interference with free market pricing for juice.

The actual calculation is made on a contract price for exporters quoted on a cif basis at customers' warehouses and includes an average transportation charge of $750 per tonne to Florida, plus a surcharge of $492 per tonne for US customs in addition to an anti-dumping charge for some Brazilian juice exporters in the case of the US market.

Exports for January to September earned $558m for 531,000 tonnes, below last year's performance for the period. However, with recent price increases, Cacex estimates that the year's exports could reach $850m, from 750,000 tonnes, up from last year's $724m, from 858,000 tonnes.

Saudi Arabia winds down its subsidy programme

Finn Barre looks at the kingdom's softly-softly approach to reducing consumer price protection

SAUDI ARABIAN motorists are facing a 52.6 per cent rise in the pump price of premium grade gasoline as as a result of the Government's continued policy of cutting consumer subsidies - but at least this time they have been told what is going on. In the past subsidy cuts have usually been made with as little publicity as possible and hidden behind the screen provided by falling world markets.

On Monday night, the kingdom's Council of Ministers announced that the Government had raised the price of premium gasoline from 35 halalas a litre (35.3 cents per US gallon) to 53.4 halalas (53.8 cents). The wholesale price is now 46 halalas a litre.

The new decree covers only the premium grade, which is virtually the only type available to motorists - all other refined product prices remained the same. "The rise in the price of premium gasoline will not therefore affect such productive sectors as agriculture, industry and transportation," the Council stated. Diesel, for instance, still sells for 12.1 cents per gallon.

The price hike, which had actually gone into effect before it was announced publicly, is part of the successful Saudi programme to wean its people from subsidies. During the heyday of the oil boom they were cushioned from inflation by subsidies on everything from electricity and water to sugar and rice. Further subsidies, since cut, were offered for growing wheat and importing barley. Over the period from 1971-1986, the Government spent SR22.8bn on direct cash subsidies and another SR3.4bn on interest-free credits for loans for economic projects.

When the oil boom went bust, the Government found itself faced with the problem of cutting the huge subsidy bill, both to save money, and to encourage more efficient use of resources. That problem was eased, however, by the general fall in world commodity prices, which allowed subsidies to be cut stealthily. "Why tell the people ?" asked one government official. "They don't know, so let them continue to give us credit for the subsidies."

The blow has been cushioned, or, to be more accurate, concealed because commodity prices have declined so far that the the effects of the removal of subsidies has not been apparent in retail prices. The Saudi cost of living registered a 0.2 per cent decline in the first quarter of 1987 in spite of subsidy removals.

Saudi Arabia has been a grateful beneficiary of the continuing trade war between the US and the European Community, which has seen the two giant trading groups aggressively under-cutting each other's food export prices to the Middle East market.

The Saudi Government formerly paid subsidies on flour, sugar, rice, edible oils, and powdered and condensed milk. Today, all except the flour, which is linked with the subsidised wheat production, have lost their subsidies, and all without any public announcements.

Barley has the only remaining import subsidy, and that has been cut from SR300 per tonne to SR100 per tonne. The wheat cultivation subsidy was cut from sr 3,500 per tonne to SR2,000 per tonne, but that has still proven insufficient to stem massive over-production of expensive wheat. In an attempt to cut wheat production and barley imports an SR1,000 per tonne barley cultivation subsidy was introduced this year.

The latest subsidy cut on gasoline is designed to strengthen the kingdom's domestic refinery sector, operated by Petromin, the state oil company. One oil industry executive suggested that the price hike will help finance refinery upgrading needed to switch away from leaded fuel production, which causes severe pollution problems for Saudi Arabia's cities. In the past Petromin has stated that it supports a move toward unleaded gasoline.

Saudi Arabia has often moved two steps forward and one back in cutting subsidies. This occurred when gasoline prices were last raised in 1984. At first the Government implemented a 20 halala tax across the board on all products. The price hikes were scaled back, however, following a public outcry.

The aim was to get Petromin's prices to a break-even level, but the extra revenues were collected not by Petromin, but by the Treasury. At that time the price of gasoline was raised from 27 halalas per litre (27.3 cents per gallon) to 35 halalas per litre. Before the 1984 rise diesel cost 3.5 cents per gallon, now it still costs a little more than 12 cents per gallon.

The Government also encountered resistance when it restructured electricity rates. Saudi Customers were paying 7 halalas a kilowatt/hour, while the cost of generation was 25 halalas. In October 1985, the Ministry of Industry and Electricity, in a programme designed to trim its SR2.5bn a year subsidy burden, decided that customers would pay SR70 only on their first 1,000 kwh, rising to SR100 for the second 1,000 kwh and to SR150 beyond that.

Saudis use little insulation but a lot of air conditioning in their homes, and the increase was resented. It was scaled back by December, so that the SR70 per 1,000 kwh would apply for the first 3,000 kwh. The rate was not rolled back to the original level, however.

Other price rises have been made. Postal rates have gone up by almost 350 per cent and fees for visas, drivinglicenses and other government services have been raised.

So far water has escaped realtively lightly and remains heavily subisidised. A cubic metre of desalinated water costs a Saudi customer 8 cents per cubic metre, but it may cost the Government as much as $1.80 per cubic meter to produce. Saudi well water is cheaper, but is still sold at a subisidised price. The Gulf Co-operation Council has determined that the that water prices should be raised to promote conservation, but so far no action has been taken on the proposal.

WORLD COMMODITIES PRICES

INDICES

REUTERS (Base: September 18 1931 = 100)

Nov 10	Nov 9	month ago	year ago
1656.9	1663.3	1677.3	1616.5

DOW JONES (Base: September 18 1931 = 100)

Spot	126.26	126.51	127.23	121.79
Futures	129.34	129.00	132.98	119.90

LONDON MARKETS

ALUMINIUM PRICES continued their decline over the week on the London Metal Exchange in what dealers described as a "very nervous" market. The fall of sterling against the dollar in the afternoon interrupted the decline, triggering shortcovering. But dealers are losing confidence in the the market's ability to sustain any rally. Potentially bullish factors such as the continuing lock-out at Alcan's Shawinigan, Quebec, smelter and the fall of 119,000 tonnes in *stocks held by the International Primary* Aluminium Institute had been virtually ignored by the market, they said. The continued strength of copper prices discouraged selling in other markets. Both lead and zinc prices held steady, while the price of nickel rose moderately on currency factors. Meanwhile cocoa prices showed firm gains in the afternoon guided by a strong market in New York, lack of producer sales and underlying physicals interest from the trade, dealers said. This was seen as a technical correction after the recent five-year lows seen in the market. Dealers feel that West African producer countries will probably sell into any decisive rally - but this has not yet happened. Coffee prices were flat, although the agreement by "other milds" coffee producers, together with Brazil and Colombia, to stop cheap coffee sales to countries outside the International Coffee Organization (ICO) was viewed as constructive, dealers said.

LONDON BULLION MARKET

Gold (fine ounce)	$ price	£ equivalent
Close	462-462½	259½-260
Opening	461½-462	258½-259
Morning fix	461.30	257.928
Afternoon fix	461.85	259.175
Day's high	462½-463	
Day's low	460½-461	

Gold & Platinum Coins	$ price	£ equivalent
US Eagle	475-480	267-270½
Mapleleaf	475-480	267-270½
Krugerrand	462-465	259½-261½
1/2 Krug	240-249	135-140
1/4 Krug	119-127	67-71½
Angel	471-476	264¾-267½
1/10 Angel	47-52	26½-29¼
New Sov.	108¼-109¾	61-61¾
Old Sov.	108¾-110¼	61-62
Britannia	475-480	267-270½
Noble Plat	495-505	277¼-282¾

Silver (fine ounce)	UK pence	US cts equiv
Spot	363.30	649.00
3 months	371.30	661.00
6 months	378.50	672.00
12 months	394.70	698.60

LONDON METAL EXCHANGE TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Oct	Nov	Oct	Nov

Aluminium (99.5%)	Calls		Puts	
Strike price $ tonne	Jan	Mar	Jan	Mar
1550	95	100	57	84
1575	82	88	68½	96½
1600	70	77½	81½	110

Copper (Grade A)	Calls		Puts	
Strike price $ tonne	Jan	Mar	Jan	Mar
2050				153
2200		124		

Copper (Grade A)	Calls		Puts	
Strike price £ tonne	Jan	Mar	Jan	Mar
1225			46	

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open Interest
Aluminium, 99.7% purity ($ per tonne)						Ring turnover 6,725 tonne
Cash	1610-20	1650-70		1610-20		
3 months	1605-15	1610-30	1610/1590	1585-95	1590-610	2,512 lots
Aluminium, 99.5% purity (£ per tonne)						Ring turnover 9,000 tonne
Cash	905-8	924-8	891/890	889-90		
3 months	890-1	893-4	890/876	876-7	886-7	64,360 lots
Copper, Grade A (£ per tonne)						Ring turnover 85,700 tonne
Cash	1465-75	1405-10	1540/1460	1530-5		
3 months	1203-4	1174-6	1205/1185	1200-2	1196-8	84,746 lots
Copper, Standard (£ per tonne)						Ring turnover 0 tonne
Cash	1420-50	1380-5		1475-85		
3 months	1170-90	1150-5		1180-90		41 lots
Silver (US cents/fine ounce)						Ring turnover 10,000 ozs
Cash	655-9	636-9	649.5	648-9		
3 months	667-71	648-51		657-61		589 lots
Lead (£ per tonne)						Ring turnover 9,250 tonne
Cash	345-7	353-5	349/348.5	348.5-49		
3 months	330-1	335-6.5	335/329	330-1	334-5	12,585 lots
Nickel (£ per tonne)						Ring turnover 3,084 tonne
Cash	3260-5	3205-15	3280/3270	3265-75		
3 months	3240-5	3160-5	3280/3200	3200-10	3225-35	6,167 lots
Zinc (£ per tonne)						Ring turnover 12,100 tonne
Cash	466-9	463-4		467-8		
3 months	471-2	465-6	474/469	470-1	473-4	14,736 lots

SPOT MARKETS

Crude oil (per barrel FOB November)		+ or -
Dubai	16.45-16.50y	-0.075
Brent Blend	17.75-17.85	+0.025
W.T.I. (1 pm edt)	18.87-18.92y	+0.045

Oil products (NWE prompt delivery per tonne CIF December)		+ or -
Premium Gasoline	181-183	
Gas Oil	163-164	+1
Heavy Fuel Oil	92-93	
Naphtha	156-158	+1
Petroleum Argus Estimates		

Other		+ or -
Gold (per troy oz)	$462.25	+4.00
Silver (per troy oz)	363.30p	+6.50
Platinum (per troy oz)	$489.50	+11.25
Palladium (per troy oz)	$108.00	+1.75
Aluminium (free market)	$1610	-50
Copper (US Producer)	105.87c	+2.37
Lead (US Producer)	42.00c	
Nickel (free market)	272c	+3
Tin (European free market)	£4000	+20
Tin (Kuala Lumpur market)	17.50r	+0.07
Tin (New York)	326.5c	
Zinc (Euro. Prod. Price)	$820	
Zinc (US Prime Western)	43.375c	
Cattle (live weight)†	99.18p	+0.87*
Sheep (dead weight)†	192.50p	-0.27*
Pigs (live weight)†	74.47p	-0.28*
London daily sugar (raw)	$191.20x	-0.80
London daily sugar (white)	$195.50x	-3.00
Tate and Lyle export price	£212.50	
Barley (English feed)	£108.00	
Maize (US No. 3 yellow)	£131.25	
Wheat (US Dark Northern)	£87.75	+1.25
Rubber (spot)¶	61.25p	+1.50
Rubber (Dec)¶	63.00p	+1.50
Rubber (Jan)¶	63.25p	+1.25
Coconut oil (Philippines)§	$480.00w	
Palm Oil (Malaysian)§	$365.00y	
Copra (Philippines)§	$315.00y	
Soyabeans (US)	$136.50	+0.50
Cotton "A" Index	74.50c	-0.70
Wooltops (64s Super)	488p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lbs. r-ringgit/kg. w-Dec/Jan. x-Nov/Dec.y-Dec. z-Jan/Feb. † Meat Commission average fatstock. * change from a week ago. ¶ London physical market. § CIF Rotterdam

GAS OIL $/tonne

	Close	Previous	High/Low
Dec	164.00	162.50	164.00 162.50
Jan	162.75	162.00	163.00 161.75
Feb	160.00	160.00	161.00 160.00
Mar	157.50	155.50	
Apr	156.00	154.00	

Turnover 4357 (5099) lots of 100 tonnes

FREIGHT FUTURES £/index point

	Close	Previous	High/Low
Jan	1231.0	1225.0	1231.0 1220.0
Apr	1253.5	1252.5	1253.5 1245.0
Jly	1125.0	1118.5	1125.0 1120.0
BFI	1172.5	1173.5	1172.5

Turnover 96 (108)

GRAINS £/tonne

Wheat	Close	Previous	High/Low
Nov	110.10	109.55	110.10 110.00
Jan	112.30	111.75	112.30 112.00
Mar	114.10	113.60	114.10 113.70
May	116.40	116.00	116.45 116.35
Jly	119.15	118.50	119.15 118.90
Sep	102.70	102.85	102.70 102.70
Nov	104.60	104.85	104.70 104.60

Barley	Close	Previous	High/Low
Nov	104.85	104.10	104.85 104.50
Jan	107.00	106.60	107.00 106.85
Mar	109.10	108.80	109.10 109.05
May	110.85	110.45	110.85 109.05
Sep	99.00	99.00	99.00
Nov	101.00	101.00	101.00

Turnover: Wheat 101 (175), Barley 37 (119). lots of 100 tonnes.

COCOA £/tonne

	Close	Previous	High/Low
Dec	1125	1102	1128 1115
Mar	1164	1136	1165 1149
May	1184	1158	1183 1170
Jly	1202	1178	1203 1190
Sep	1221	1198	1221 1210
Dec	1244	1223	1244 1236
Mar	1269	1247	1267 1260

Turnover: 5347 (3530) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for November 10: 1431.81 (1427.89) .10 day average for November 11: 1438.51 (1442.30) .

POTATOES £/tonne

	Close	Previous	High/Low
Nov	90.0	82.0	
Feb	102.0	102.0	102.0
Mar	92.0	94.0	
Apr	157.9	156.4	158.0 156.8
May	171.0	170.0	171.2 170.0
Nov		90.0	

Turnover 653 (804) lots of 100 tonnes.

SOYABEAN MEAL £/tonne

	Close	Previous	High/Low
Dec	134.50	133.50	134.00 134.00
Feb	134.50	133.50	133.80 133.80
Apr	133.50	132.50	
Jun	124.00	124.00	
Aug	123.00	122.00	
Oct	124.00	123.00	
Dec	126.00	125.00	

Turnover 32 (50) lots of 100 tonnes.

SUGAR ($ per tonne)

Raw	Close	Previous	High/Low
Dec	169.00	170.00	170.00 169.00
Mar	175.00	176.20	177.60 174.20
May	175.00	177.00	178.80 175.00
Aug	175.20	177.00	177.40 175.20
Oct	176.00	177.80	178.00 175.80
Dec	179.00	180.00	0 0
Mar	185.00	185.00	0 0

White	Close	Previous	High/Low
Dec	199.00	200.50	200.50 199.50
Mar	205.00	206.00	206.50 204.00
May	210.00	210.50	211.00 208.00
Aug	214.00	215.00	216.00 212.00
Oct	214.50	218.00	216.50 213.50
Dec	215.50	217.00	216.00 215.00
Mar	221.00	223.50	0 0

Turnover: Raw 3882 (9560) lots of 50 tonnes. White 1825 (1460) .
Paris- White (FFr per tonne):Closed.

COFFEE £/tonne

	Close	Previous	High/Low
Nov	1257	1261	1258 1248
Jan	1292	1293	1295 1275
Mar	1318	1320	1318 1298
May	1340	1340	1342 1329
Jly	1365	1360	1354 1350
Sep	1380	1380	1377 1375
Nov	1400	1400	0 0

Turnover: 2106 (1329) lots of 5 tonnes
ICO indicator prices (US cents per pound) for November 10 :Comp. daily 116.38 (116.29) . 15 dayaverage 112.95 (112.49).

WOOL

Wool prices have tended to ease slightly but erratically in the past ten days or so. Strength persisted throughout October despite turmoil on world stock markets and calculations of supply and demand for the remainder of the 1987-88 selling season still emphasised the likelihood of a shortage and therefore dearer prices. The present slight price setback, exaggerated for UK users by weakness in the Australian dollar, is not seen as a major reversal in the year-long upward trend of the wool market. New business is rather quiet and there are isolated hints of a slower take-up of deliveries.

CURRENCIES, MONEY & CAPITAL MARKETS

FOREIGN EXCHANGES

Short covering boosts dollar

THE DOLLAR rose nervously in thin European trading. Most US banks were closed for Veteran's Day, and dealers in Europe were not prepared to speculate on the dollar's immediate future, ahead of today's US trade announcement.

Forecasts for the September deficit range from about $14bn to $16bn, with the market generally expecting no great improvement over the August shortfall of $15.68bn.

A figure of around $16bn or above is likely to encourage selling of the dollar. The median among forecasters is $14.7bn, but a lower deficit of around $12bn will have only a limited impact as attention switches back to the US budget deficit.

President Reagan's comment that he does not want to see a further weakening of the dollar will be ignored unless he and Congress agree on measures to cut the budget deficit by more than the $23bn provided for in the Gramm Rudman bill.

Short covering ahead of today's trade announcement pushed the dollar up to DM1.6760 from DM1.6650; to FFr5.6850 from FFr5.6525; to SFr1.3750 from SFr1.3650; and to Y135.25 from Y134.50.

On Bank of England figures the dollar's index rose to 96.3 from 96.0.

STERLING-Trading range against the dollar in 1987 is 1.7950 to 1.4710. October average 1.6620. Exchange rate index fell 0.1 to 75.4, compared with 73.3 six months ago.

Sterling fell back against a stronger dollar, but rose against most other major currencies, as the pressure eased for an immediate cut in UK bank base rates.

There were no factors to influence the pound, which was generally on the sidelines.

Sterling lost 70 points to $1.7785-1.7795, while improving to DM2.9825 from DM2.9725; to FFr10.1125 from FFr10.0950; to SFr2.4450 from SFr2.4375; and to Y240.50 from Y240.25.

D-MARK-Trading range against the dollar in 1987 is 1.9305 to 1.6590. October average 1.8011. Exchange rate index 151.0 against 146.8 six months ago.

The D-Mark lost ground to the dollar in Frankfurt, on short covering in a very quiet market. The West German Bundesbank did not intervene when the dollar was fixed at DM1.6648, compared with a record low of DM1.6530 on Tuesday.

A dealer at a large bank commented that after the recent fall an adjustment in the other direction was long overdue.

The dollar closed at DM1.6745 in Frankfurt, against DM1.6515 previously, with the recovery seen as a technical correction.

Dealers continued to look towards a fall to DM1.65 for the dollar, but only expected this level to be reached in the near future if today's US trade figures disappoint and the US budget talks drag on without result.

JAPANESE YEN-Trading range against the dollar in 1987 is 159.45 to 134.20. October average 143.27. Exchange rate index 228.1 against 226.6 six months ago.

The yen was a little weaker against the dollar in quiet Tokyo trading. Dealers were reluctant to take a view ahead of the Veteran's Day holiday in the US and today's US trade figures.

The dollar rose to Y134.35 from Y133.65 in Tokyo, showing no reaction to the comments by Mr Satoshi Sumita, governor of the Bank of Japan, that there was no plan for a coordinated cut in discount rates by the major central banks, and that coordinated intervention would continue. He denied the US Federal Reserve had stopped supporting the dollar.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu Nov.11	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	42.4582	43.1543	+1.64	+0.90	±1.5344
Danish Krone	7.85212	7.95329	+1.29	+0.55	±1.6404
German D-Mark	2.05853	2.06118	+0.13	-0.61	±1.0982
French Franc	6.90403	7.01087	+1.52	+0.78	±1.3674
Dutch Guilder	2.31943	2.31897	-0.02	-0.76	±1.5012
Irish Punt	0.768411	0.775716	+0.95	+0.21	±1.6684
Italian Lira	1483.58	1519.44	+2.42	+2.12	±4.0752

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

£ IN NEW YORK

Nov.11	Latest	Previous Close
£ Spot	1.7965-1.7977	1.7855-1.7865
1 month	0.32-0.30pm	0.33-0.31pm
3 months	0.68-0.64pm	0.57-0.55pm
12 months	1.85-1.75pm	1.53-1.43pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	Nov.11	Previous
8.30 am	75.3	75.5
9.00 am	75.4	74.4
10.00 am	75.4	74.4
11.00 am	75.5	75.5
Noon	74.4	75.5
1.00 pm	74.4	75.5
2.00 pm	74.4	75.6
3.00 pm	74.4	75.5
4.00 pm	75.4	75.5

CURRENCY RATES

Nov.11	Bank rate %	Special Drawing Rights	European Currency Unit
Sterling	—	0.75911	0.692655
U.S Dollar	6	1.3568	1.23758
Canadian $	8.75	*	1.63137
Austrian Sch.	4	15.8965	14.5081
Belgian Franc	7¼	N/A	43.1543
Danish Krone	7		7.95329
Deutsche Mark	3	2.2587	2.06118
Neth.Guilder	4½	N/A	2.31897
French Franc	9½		7.01087

POUND SPOT- FORWARD AGAINST THE POUND

Nov.11	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.7775-1.7890	1.7785-1.7795	0.34-0.31cpm	2.19	0.63-0.59pm	1.37
Canada	2.3412-2.3566	2.3435-2.3445	0.12-0.01cpm	0.33	par-0.11dis	0.09
Netherlands	3.34-3.36	3.35-3.36	1¼-1cpm	4.02	3⅝-3⅜pm	4.25
Belgium	61.95-62.48	61.95-62.05	16-8cpm	2.32	32-21pm	1.71
Denmark	11.47-11.51	11.49½-11.50½	¾-1¾oredis	-1.11	4⅝-5¼dis	-1.67
Ireland	1.1179-1.1230	1.1210-1.1220	0.01pm-0.06dis	-0.37	0.12-0.29dis	-0.73
W. Germany	2.96¼-2.98¼	2.97¼-2.98¼	1⅜-1¼pfpm	5.28	3⅞-3⅝pm	4.78
Portugal	240.79-242.45	240.80-241.80	35-93cdis	-3.18	202-316dis	-4.29
Spain	199.71-200.79	200.05-200.35	116-172cdis	-8.63	313-406dis	-7.18
Italy	2181-2200	2194½-2195½	5-8lire dis	-3.55	15-22dis	-3.37
Norway	11.34½-11.39¾	11.35¾-11.36¾	5⅛-5⅞oredis	-5.87	18-18⅞dis	-6.45
France	10.09¾-10.13¾	10.10¾-10.11¾	½-1cdis	-0.89	1¾-2⅛dis	-0.91
Sweden	10.75¾-10.79	10.77½-10.78½	⅛-⅝oredis	-0.42	1⅛-2⅛dis	-0.39
Japan	239¾-241	240-241	1⅛-⅞ypm	4.99	2⅞-2⅝pm	4.57
Austria	20.93-20.99	20.95-20.98	7⅛-6⅛gropm	4.19	21⅛-17⅞pm	3.73
Switzerland	2.43¼-2.45¼	2.44-2.45	1⅜-1¼cpm	6.13	3¾-2⅞pm	5.01

Belgian rate is convertible francs. Financial franc 62.20-62.30. Six-month forward dollar 1.15-1.10cpm 12-month 1.65-1.55pm

DOLLAR SPOT- FORWARD AGAINST THE DOLLAR

Nov.11	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.7775-1.7890	1.7785-1.7795	0.34-0.31cpm	2.19	0.63-0.59	1.37
Ireland††	1.5850-1.5992	1.5850-1.5860	0.22-0.18cpm	1.50	0.54-0.44pm	1.23
Canada	1.3150-1.3180	1.3165-1.3175	0.19-0.22cdis	-1.87	0.47-0.50dis	-1.47
Netherlands	1.8695-1.8880	1.8850-1.8860	0.30-0.27cpm	1.83	1.15-1.10pm	2.40
Belgium	34.75-34.90	34.80-34.90	2.00dis-1.00pm	0.52	6.00-1.00pm	0.40
Denmark	6.41½-6.46½	6.46-6.46½	1.25-1.95oredis	-2.99	3.90-4.60dis	-2.65
W. Germany	1.6610-1.6775	1.6755-1.6765	0.47-0.44pfpm	3.28	1.47-1.42pm	3.47
Portugal	136½-137½	136½-137	45-75cdis	-5.30	170-230dis	-5.89
Spain	111.85-112.60	112.45-112.55	70-100cdis	-9.09	190-240dis	-7.67
Italy	1225-1237	1233¼-1234¼	5.20-6.20lire dis	-5.57	13.00-16.00dis	-4.73

CURRENCY MOVEMENTS

OTHER CURRENCIES

EURO-CURRENCY INTEREST RATES

EXCHANGE CROSS RATES

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

FINANCIAL FUTURES

Gilts down as shares recover

THE RECENT move from equities to Government bonds was reversed yesterday as share prices improved. Consequently the need for an early cut in UK clearing bank base rates to support equity prices receded and this reduced the attraction of holding UK gilts.

Consequently gilt prices fell sharply at first in the London International Financial Futures Exchange yesterday. The December price opened at 123-08, down from 124-16 on Tuesday and touched a low of 122-10 before recovering to a high of 123-17. It closed at 122-29.

A firmer dollar which reflected profit taking, the closure of some US markets yesterday and comments by President Reagan suggesting that he had seen the dollar fall far enough, appeared to be sufficient to restore some form of temporary stability and this helped equity markets to show a steadier trend.

US Treasury bond futures finished unchanged from Tuesday's closing levels. There were a number of variable factors affecting market sentiment. Most of all speculators were unwilling and unable to make any clear assessment of market trends before the outcome of talks within the US administration over attempts to cut the budget deficit and the release today of US trade figures.

Most traders are expecting a deficit of around $14.7bn compared with $15.68bn in August.

The December contract opened at 89-07 and traded between a high of 89-13 and a low 88-30 before finishing at 89-11, the same as Tuesday's close.

The FT-SE contract opened at 158.00 for December delivery up from 155.60 and touched a low of 158.00 before closing at 163.25.

LIFFE LONG GILT FUTURES OPTIONS

Strike Price	Calls-Last Dec	Calls-Last Mar	Puts-Last Dec	Puts-Last Mar
116	6.59	7.45	0.01	0.61
118	5.01	6.14	0.07	1.30
120	1.14	4.58	0.20	2.10
122	1.49	3.49	0.55	3.01
124	0.53	2.52	1.59	4.04
126	0.20	2.05	3.26	5.19
128	0.06	1.29	5.12	6.45
130	0.01	0.42	9.07	9.58

Estimated volume total, Calls 4410 Puts 2194
Previous day's open int: Calls 45163 Puts 33564

LIFFE US TREASURY BOND FUTURES OPTIONS

Strike Price	Calls-Last Dec	Calls-Last Mar	Puts-Last Dec	Puts-Last Mar
82	7.22	7.21	0.00	0.61
84	5.24	5.55	0.02	1.31
86	3.34	4.37	0.12	2.13
88	1.62	3.31	0.40	3.07
90	0.58	2.37	1.36	4.13
92	0.24	1.55	3.02	5.31
94	0.11	1.19	4.53	6.59
96	0.05	0.57	6.47	8.33

Estimated volume total, Calls 12 Puts 0
Previous day's open int: Calls 2958 Puts 2091

LIFFE FT-SE 100 INDEX FUTURES OPTIONS

Strike Price	Calls-Last Nov	Calls-Last Dec	Puts-Last Nov	Puts-Last Dec
18000	0.74	4.11	17.49	20.86
18250	0.51	3.55	19.76	22.80
18500	0.35	3.06	22.10	24.81
18750	0.24	2.63	24.49	26.88
19000	0.16	2.25	26.91	29.00
19250	0.10	1.92	29.35	31.17
19500	0.07	1.63	31.82	33.38
19750	0.04	1.38	34.29	35.63

Estimated volume total, Calls 10 Puts 1
Previous day's open int: Calls 77 Puts 147

LONDON

CHICAGO

CURRENCY FUTURES

MONEY MARKETS

UK money rates slightly firmer

INTEREST RATES were a little firmer in the London money market yesterday after a rally in the equity market removed hopes of an immediate cut in UK clearing bank base rates.

Three-month interbank money was quoted at 8⅞-8¹³⁄₁₆ p.c. compared with 8¹¹⁄₁₆-8⁹⁄₁₆ p.c. Overnight interbank money was quoted at 9¼ p.c. at the start but fell away to a low of 8 p.c. before coming back to 8½-9 p.c. Late balances were taken up to 9¼ p.c.

UK clearing bank base lending rate 9 per cent from November 5

Market sentiment had been influenced to a large extent by the last fall in base rates and there was a feeling that the authorities' hand had been forced by further falls in share prices. Consequently yesterday's rally produced the opposite effect.

The Bank of England forecast a shortage of around £500m with factors affecting the market including the repayment of late assistance and bills maturing in official hands together with a take up of Treasury bills draining £589m and a rise in the note circulation of £120m. These were partly offset by Exchequer transactions which added £90m and banks' balances brought forward £105m above target.

The forecast was revised to a shortage of around £450m and the Bank gave assistance in the morning of £67m through outright purchases of £51m of eligible bank bills in band 1 and £16m in band 2 all at 8⅝ p.c.

Further help in the afternoon totaled £407m and was made up of outright purchases of £122m of eligible bank bills in band 1 and £285m in band 2 all at 8⅝ p.c. Total help came to £474m.

In Frankfurt the Bundesbank accepted bids of DM11.8bn at yesterday's sale and repurchase tender, more than had generally been expected. The lower fixed rate of 3.5 p.c., down from 3.8 p.c., had already been announced and underlined the authorities' apparent determination to hold down the level of domestic interest rates.

The 28-day facility attracted bids of DM47.4bn and went a long way to replacing maturing facilities of DM11.8bn. The net DM2bn outflow was considered to pose few problems because continued central bank intervention in currency markets, mainly to support the dollar, meant that a considerable volume of D-Marks were finding their way back into the domestic money system.

FT LONDON INTERBANK FIXING

MONEY RATES

LONDON MONEY RATES

WORLD MARKETS

FT-ACTUARIES WORLD INDICES

Jointly compiled by the Financial Times, Goldman, Sachs & Co., and Wood Mackenzie & Co. Ltd., in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	WEDNESDAY NOVEMBER 11 1987					TUESDAY NOVEMBER 10 1987			DOLLAR INDEX		
Figures in parentheses show number of stocks per grouping	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Local Currency Index	1987 High	1987 Low	Year ago (approx)
Australia (89)	85.80	−6.4	71.50	83.54	4.84	91.69	76.11	89.80	180.81	85.80	91.41
Austria (16)	88.66	−2.9	73.89	77.20	2.72	91.31	75.79	78.87	102.87	85.53	93.00
Belgium (48)	98.59	−0.9	82.17	85.10	5.63	99.45	82.55	85.10	134.89	96.19	94.91
Canada (127)	98.56	+0.2	82.14	93.99	3.28	98.34	81.63	93.99	141.78	98.15	100.88
Denmark (38)	108.51	−0.5	90.43	95.37	3.12	109.08	90.55	95.25	124.83	98.18	93.21
France (120)	77.39	−0.6	64.49	69.01	4.00	77.83	64.61	69.01	121.82	77.39	93.46
West Germany (93)	71.46	+3.7	59.55	62.27	3.08	68.91	57.20	59.65	104.93	68.91	92.53
Hong Kong (46)	78.75	−0.4	65.63	78.92	6.18	79.05	65.62	79.24	158.68	75.82	87.12
Ireland (14)	96.20	−0.1	80.17	85.49	5.34	96.30	79.94	84.86	160.22	96.20	90.71
Italy (95)	72.76	+0.9	60.64	67.06	2.87	72.11	59.86	66.02	112.11	72.04	101.22
Japan (458)	127.15	−3.3	105.96	108.71	0.64	131.49	109.15	111.79	161.28	100.00	90.50
Malaysia (36)	99.85	−3.3	83.21	95.94	3.74	103.28	85.74	98.95	193.64	98.24	100.65
Mexico (14)	198.92	+3.4	165.78	366.80	0.81	192.44	159.75	356.75	422.59	99.72	93.08
Netherland (37)	93.47	+6.6	77.90	80.44	5.61	87.70	72.80	74.94	131.41	87.70	96.14
New Zealand (23)	79.19	−2.3	65.99	67.57	4.60	81.02	67.25	68.95	138.99	78.06	94.85
Norway (24)	104.47	+8.8	87.06	90.57	3.04	96.03	79.72	82.58	185.01	96.03	104.60
Singapore (27)	92.30	−3.1	76.92	86.90	2.78	95.20	79.03	89.65	174.28	90.19	101.44
South Africa (61)	118.66	−0.6	98.89	85.76	4.98	119.41	99.13	86.31	198.09	100.00	105.51
Spain (43)	120.65	−2.8	100.55	102.83	4.02	124.08	103.00	104.81	168.81	100.00	83.98
Sweden (34)	88.50	−0.7	73.76	79.40	2.90	89.13	73.99	79.47	136.64	88.50	104.39
Switzerland (53)	76.36	+3.7	63.64	65.10	2.57	73.65	61.13	62.32	111.11	73.65	91.07
United Kingdom (332)	118.09	+3.8	98.41	98.41	4.66	113.77	94.44	94.44	162.87	99.65	95.61
USA (582)	98.75	+1.1	82.30	98.75	3.73	97.66	81.07	97.66	137.42	92.83	102.47
Europe (947)	94.79	+2.8	78.99	81.30	4.14	92.25	76.57	78.69	130.02	92.25	94.83
Pacific Basin (679)	123.79	−3.3	103.16	106.72	0.86	128.05	106.29	109.82	158.77	100.00	90.53
Euro–Pacific (1626)	112.22	−1.3	93.52	96.58	1.97	113.76	94.43	97.39	143.65	100.00	92.23
North America (709)	98.74	+1.1	82.28	98.50	3.71	97.69	81.09	97.47	137.55	93.20	102.39
Europe Ex. UK (615)	80.32	+1.8	66.94	70.57	3.66	78.89	65.49	68.84	111.97	78.89	94.38
Pacific Ex. Japan (221)	83.17	−3.9	69.31	80.77	5.11	86.54	71.84	84.27	164.03	83.17	90.89
World Ex. US (1828)	111.87	−1.3	93.23	96.54	2.05	113.33	94.08	97.31	143.38	100.00	92.68
World Ex. UK (2078)	105.67	−0.9	88.07	97.33	2.42	106.62	88.51	97.90	138.82	100.00	96.59
World Ex. So. Af. (2349)	106.69	−0.4	88.91	97.46	2.63	107.16	88.96	97.58	139.47	100.00	96.43
World Ex. Japan (1952)	97.02	+1.4	80.86	91.71	3.91	95.64	79.39	90.26	134.22	95.64	99.36
The World Index (2410)	106.77	−0.4	88.98	97.40	2.65	107.24	89.02	97.52	139.73	100.00	96.49

Base values: Dec 31, 1986 = 100

Belgium,Canadian and French markets were closed for public holidays November 11.

EUROPEAN OPTIONS EXCHANGE

Series		Nov 87 Vol.	Nov 87 Last	Feb 88 Vol.	Feb 88 Last	May 88 Vol.	May 88 Last	Stock
GOLD C	$460	253	78	16	27	—	—	$463.10
GOLD C	$480	66	1.20	68	19	—	—	"
GOLD P	$400	10	0.10	62	4.50	—	—	"
GOLD P	$420	15	0.70	268	6.70	133	10	"
GOLD P	$460	67	5.50	—	—	—	—	"
GOLD P	$480	401	22	255	26	30	30	"
		Nov. 87		**Dec. 87**		**Jan. 88**		
EOE Index C	Fl.180	—	—	370	9	146	9.50	Fl.170.38
EOE Index C	Fl.185	190	2.10	610	7.50	12	7.30	"
EOE Index P	Fl.165	—	—	281	10.50	41	12	"
EOE Index P	Fl.185	63	14.50	55	20	101	22	"
$/Fl C	Fl.185	81	4.10	11	5.50	22	5.50B	Fl.188.50
$/Fl C	Fl.190	89	2	185	3	169	4	"
$/Fl C	Fl.195	80	0.50	219	1.40	65	1.80	"
$/Fl C	Fl.200	—	—	120	0.80	70	1	"
$/Fl P	Fl.180	—	—	103	1.30A	11	2.40	"
$/Fl P	Fl.185	24	1	109	2.30	118	3.50B	"
$/Fl P	Fl.190	93	3	451	3.90	220	5.50	"
$/Fl P	Fl.195	54	6.70A	165	7.70	17	9.20	"
$/Fl P	Fl.200	53	11.20	252	11.70	26	13.50A	"
		Mar. 88		**June 88**		**Sept. 88**		
$/Fl C	Fl.190	37	4.70	8	5.60	—	—	Fl.88.50
$/Fl C	Fl.200	42	2.20	4	2.80	131	3.30	"
$/Fl P	Fl.205	75	1.20	4	1.90	42	2.10B	"
$/Fl P	Fl.180	50	3.30A	—	—	300	6.70	"
$/Fl P	Fl.185	17	5.70	7	7.30	1000	8.70	"
$/Fl P	Fl.200	37	15	—	—	—	—	"

		Jan. 88 Vol.	Jan. 88 Last	Apr. 88 Vol.	Apr. 88 Last	Jul. 88 Vol.	Jul. 88 Last	Stock
ABN C	Fl.46	63	0.80	562	1.80	—	—	Fl.38.10
ABN P	Fl.40	467	3.60	36	5	46	6	"
AEGON C	Fl.75	254	1.20	3	1.90	—	—	Fl.55.20
AGEON P	Fl.80	1	27.80A	100	27.80A	—	—	"
AHOLD P	Fl.100	32	35.30	—	—	—	—	Fl.66.80
AKZO C	Fl.100	864	5.50	112	10	5	11	Fl.87.50
AKZO P	Fl.80	603	4.50B	69	7.50	12	11	"
AMEV C	Fl.40	13	4.50	113	5.80	—	—	Fl.40.50
AMEV P	Fl.35	88	2.20	2	4A	—	—	"
AMRO C	Fl.70	212	1.20	26	2.30	1	38	Fl.59.70
AMRO P	Fl.60	28	3.50	66	4.80	5	6.50	"
ELSEVIER C	Fl.55	23	1	310	1.40	—	—	Fl.39
ELSEVIER P	Fl.50	112	12	1	13.90A	—	—	"
GIST-BROC. C	Fl.55	140	0.30	7	0.90	—	—	Fl.29.70
GIST-BROC. P	Fl.27.50	24	2.70	84	4.20	—	—	"
HEINEKEN C	Fl.150	60	3.50	20	6	—	—	Fl.124
HEINEKEN P	Fl.110	48	6	24	9	—	—	"
HOOGOVENS C	Fl.45	169	1.20	1	1.20	5	1.50	Fl.27
HOOGOVENS P	Fl.25	46	2.60	144	4	—	—	"
KLM C	Fl.30	421	3.50	204	4.60	7	5.50B	Fl.28.90
KLM P	Fl.30	1178	4	60	5.50	—	—	"
NEDLLOYD C	Fl.120	33	12	14	15.60	—	—	Fl.119
NEDLLOYD P	Fl.140	75	23	44	30.50	—	—	"
NAT NED C	Fl.50	72	4.50	51	5.90	9	6.10B	Fl.48.70
NAT NED P	Fl.55	53	8	4	9.50A	—	—	"
PHILIPS C	Fl.35	1230	1.50	264	2.60	70	3.20A	Fl.29.40
PHILIPS P	Fl.27.50	1373	2	236	3.30	79	4.10	"
ROYAL DUTCH C	Fl.220	1039	7.50	88	11.60	19	14	Fl.197
ROYAL DUTCH P	Fl.190	409	8.20	26	11.20	—	—	"
ROBECO P	Fl.100	133	18	—	—	10	21A	Fl.82.50
UNILEVER C	Fl.112	394	5	—	—	—	—	Fl.98.50
UNILEVER P	Fl.90	395	6.60	49	12	22	14	"

TOTAL VOLUME IN CONTRACTS: 51,103

A=Ask B=Bid C=Call P=Put

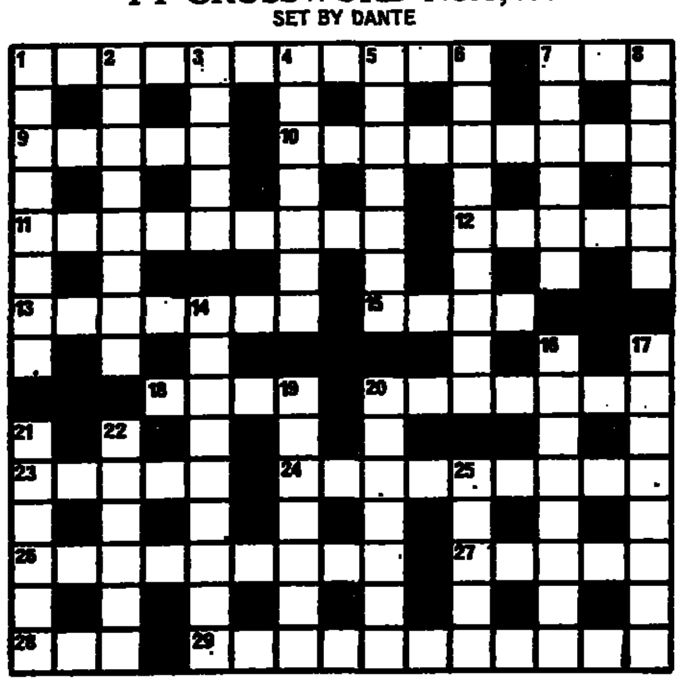
BASE LENDING RATES

	%		%		%
ABN Bank	9	● Charterhouse Bank	9	Nat Bk. of Kuwait	9
Adam & Company	9	Citibank NA	9	NatWestminster	9
Allied Arab Bk Ltd	9	City Merchants Bank	9	Northern Bank Ltd.	9
Allied Dunbar & Co	9	Clydesdale Bank	9	Norwich Gen. Trust	9
Allied Irish Bank	9	Comm. Bk. N. East	9	PK Finans. Intl (UK)	9½
American Exp. Bk.	9	Consolidated Cred.	9	Provincial Trust Ltd	10½
Amro Bank	9	Co-operative Bank	* 9	R. Raphael & Sons	9
Henry Ansbacher	9	Cyprus Popular Bk	9	Roxburghe G'rantee	10½
ANZ Banking Group	9	Duncan Lawrie	9	Royal Bk of Scotland	9
Associates Cap Corp.	10	Equat'r'l Tst C'p plc	9	Royal Trust Bank	9
Authority & Co Ltd	9	Exeter Trust Ltd.	9½	Smith Williams Secs.	9
Banco de Bilbao	9	Financial & Gen. Sec.	9½	Standard Chartered	9
Bank Hapoalim	9	First Nat. Fin. Corp.	10½	TSB	9
Bank Leumi (UK)	9	First Nat. Sec. Ltd	10½	UDT Mortgage Exp.	¶11.1
Bank Credit & Comm	9	● Robert Fleming & Co.	9	United Bk of Kuwait	9
Bank of Cyprus	9½	Robert Fraser & Ptrs.	10	United Mizrahi Bank	9
Bank of Ireland	9	Girobank	9	Unity Trust PLC	9
Bank of India	9½	Grindlays Bank	9	Western Trust	9
Bank of Scotland	9	● Guinness Mahon	9	Westpac Bank. Corp.	9
Banque Belge Ltd	9	HFC Trust & Savings	9	Whiteaway Laidlaw	9½
Barclays Bank	9	● Hambros Bank	9	Yorkshire Bank	9
Benchmark Tst Ltd	9½	Heritable & Gen. Tst.	9		
Beneficial Trust Ltd	10½	● Hill Samuel	§ 9		
Berliner Bank AG	9	C. Hoare & Co.	9		
Brit Bk of Mid East	9	Hongkong & Shangh	9		
● Brown Shipley	9	Lloyds Bank	9		
Business Mtge Tst.	9	Meghraj & Sons Ltd	9		
CL Bank Nederland	9	Midland Bank	9		
Central Capital	9	● Morgan Grenfell	9		
Cayzer Ltd	9	Mt Credit Cpn Ltd	9		

● Members of the Accepting Houses Committee. * 7-day deposits 4%. Sumwise 6.66%. Top Tier—£2,500+ at 3 months' notice 8.31%. At call when £10,000+ remains deposited. ¶ Mortgage base rate. § Demand deposit 3.99%. Mortgage 11.125%.

FT CROSSWORD No.6,480

SET BY DANTE



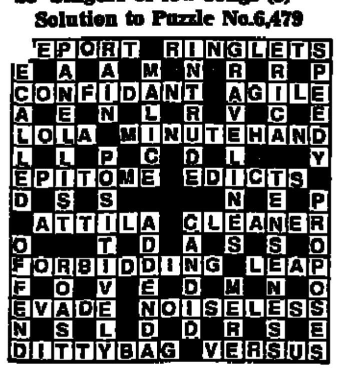
ACROSS

1 A fault not long showing up (11)
7 The boozer turned up with a bottle opener (3)
9 Nitre, perhaps, put into the ground (5)
10 Sweetheart to approve a new tie (9)
11 Take action that's repulsive (5,4)
12 Give Heather a ring - but mind your language (5)
13 A gem of a green (7)
15 Pole to feel sick on voyage (4)
18 He's a reformed Wimbledon champion (4)
20 Allied company takes on new agent (7)
23 Children of Susie? (5)
24 It sounds straight (5-4)
26 They deal with many dogged policemen (9)
27 Bath's sex appeal girl (5)
28 A well-cut length of cloth? (3)
29 Camille is upset about an unsuitable marriage (11)

DOWN

1 There's a certain wildness in such devious dealings (8)
2 Stranger not fancied by many people (8)
3 All-male crew of a novel boat (5)
4 Not on duty the worker is casual (3-4)
5 Raises petitions (7)
6 Draining liquid food served with fish (9)
7 It is involved with a plan that is flexible (6)
8 One from France takes the railway to school (6)
14 Port for mother after morning rest, perhaps (9)
16 Understood vessel could be reserved (8)
17 Eat green fresh produce (8)
19 Quick to declare (7)
20 Advice on clues in anagram form (7)
21 Band in the theatre (6)
22 Republic is setting up a king (6)
25 *Singers of low songs* (5)

Solution to Puzzle No.6,479



FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

	Bid Price	Offer Price	+ or −	Yield Gross
Abbey Unit Tst. Mngrs. (a)				
80 Holdenhurst Rd, Bournemouth				0345 717373
High Income				
American Income	38.2	40.8	−0.5	6.42
Gilts & Fixed Int.	117.4	126.4	+0.2	9.49
High Inc Equity	96.3	102.9xd	−2.5	5.34
Worldwide Bond	186.6	199.0xd	—	4.65
Capital Growth				
American Growth	122.0	130.4	−2.6	1.79
Asian Pacific	54.4	58.1	−1.5	1.49
Assets & Earnings Tst.	109.0	116.5xd	−6.0	2.02
Capital Reserve	77.5	78.0	+0.6	1.29
Commodity & Energy	93.3	99.7	−0.9	0.00
European Capital	62.5	66.8	−3.2	1.12
General	123.3	131.8	−3.3	3.41
Japan	71.1	76.0xd	−1.8	0.00
Mastertrust	63.3	67.7	−1.4	4.39
UK Growth Acc. Units	144.4	154.4	−10.9	1.46
UK Growth Dist.	98.6	105.4xd	−7.4	2.14
U.S. Emerging Co's	33.6	35.9xd	−0.4	0.00
Income & Growth	199.6	213.4xd	−5.2	3.61
Ethical Growth	34.9	37.3	−0.7	3.35
Abtrust Management Ltd				
10 Queens Terrace, Aberdeen AB9 1QJ				0224 633070
Abtrust UK Growth Fd	26.8	28.5xd	+1.5	2.92
Abtrust Nth Am Inc (z)	21.2	22.6xd	—	3.90
Abtrust World Gth Fd	32.1	34.1xd	−0.1	1.08
Abtrust Extra Inc Fd	34.6	36.4	+1.0	[illegible]

[illegible]

FT UNIT TRUST INFORMATION SERVICE

Mercury Fund Managers Ltd —Contd.

Gilt	95.0	95.4	-1.2	7.26
(Accum Units)	113.0	111.5	-1.4	7.26
Global Fund	36.5	38.6	-0.5	0.88
(Accum Units)	36.5	38.6	-0.5	0.88
High Income Fund	42.2	44.8xd	+1.2	5.83
(Accum Units)	43.3	45.8xd	+1.3	5.83
High Interest Fund	46.5	49.2xd	-0.2	9.06
(Accum Units)	48.0	50.7xd	-0.3	9.06
Income	89.4	95.1	+2.5	4.49
(Accum Units)	103.4	110.0	+2.9	4.49
International	225.5	238.6	-4.0	3.10
(Accum Units)	282.7	299.1	-7.5	3.10
Japan	158.4	164.4	+0.0	2.04
(Accum Units)	159.6	168.8	+0.0	2.04
Pacific Fund	30.4	32.1	+0.0	0.20
(Accum Units)	30.4	32.1	+0.0	0.20
Recovery	208.6	221.9xd	+9.3	3.55
(Accum Units)	228.5	243.0xd	+10.0	3.55
UK Smaller Co's Fund	39.1	41.5	+1.2	2.29
(Accum Units)	39.5	42.0	+1.3	2.29

Merlin Fund Mngmnt Ltd
30 St James St, London SW1A 1HB — 01-925 1277

Merlin Nov 11	405.0	417.05	-34.5	1.64

Metropolitan Unit Trust Mngrs Ltd
3 Darkes Lane, Potters Bar EN6 2AL — 0707 45184

UK Income Fund	40.3	42.8	+1.6	7.01
Accum Units	40.8	43.3	+1.7	6.95
UK Growth Fund Acc	38.9	41.3	+2.5	2.42
Global Income Fund	42.8	45.5	-0.2	4.40
Accum Units	42.8	45.5	-0.2	4.40
Global Growth Fund	32.4	34.5	-1.4	0.72

Midland Bank Group UT Mngrs. Ltd
Courtwood House, Silver St, Head, Sheffield S1 3RD
Tel: 0742 769842

Capital	82.2	87.2	+4.1	1.75
(Accum Units)	113.8	120.7	+5.7	1.75
Commodity & Gen.	125.7	133.4xd	-0.2	2.08
(Accum Units)	181.1	192.1	-0.4	2.02
European Growth	88.6	93.9	-4.1	1.49
(Accum Units)	106.9	113.4	-5.0	1.49
Extra High Inc.	62.8	66.7xd	+0.8	7.47
(Accum Units)	78.2	82.9	+1.0	7.47
Gilt & Fxd. Int.	55.5	58.0	-0.7	7.47
(Accum Units)	98.6	103.0	-1.3	7.47
High Yield	166.0	176.1xd	+2.2	5.48
(Accum Units)	299.0	317.2	+3.9	5.48
Income	175.8	186.5	+4.2	3.98
(Accum Units)	298.2	316.3	+10.5	3.98
Intl High St UT	39.7	42.1	+1.2	2.76
Do. Accum	39.7	42.1	+1.2	2.76
Japan and Pacific	234.5	248.6	-7.5	0.14
(Accum Units)	246.4	261.4	-7.9	0.14
Managed Portfolio Acc	49.4	52.3	+0.5	1.74
North American	88.1	93.5	-1.5	1.68
(Accum Units)	106.7	114.4	-1.9	1.68
Smaller Cos.	130.6	139.9	+2.5	1.69

Provident Mutual Unit Trust Managers Ltd.
25-31 Moorgate, London, EC2R 6BA — 01-588 9963

PM Equity Growth	89.9	95.7	+3.6	1.32
PM Income and Growth	79.8	84.9	+2.8	3.09
PM N American Growth	38.6	41.0	-0.6	0.49
PM European Growth	35.2	37.4	-2.4	0.85
PM Japan Growth	54.4	58.9	-2.4	0.45
PM Overseas Growth	39.7	42.2	-1.1	0.61

Prudential Holborn Unit Trusts Ltd(a) (b) (c)
51-49 Ilford Hill, Ilford, Essex IG1 2DL — 01-478 3377

Holborn Comm Tst.	51.0	54.9	+0.5	0.56
Holborn Equity Income	54.4	58.4xd	+1.8	4.40
Holborn Equity Tst.	410.2	434.2xd	+14.9	3.11
Holborn European Tst.	83.2	88.1	-2.9	0.94
Holborn High Inc Tst	70.8	76.1xd	+1.0	5.47
Holborn Intl Grw Tst.	86.2	92.6	-0.7	0.94
Holborn Intl Sm Co.	36.4	39.1	-0.6	0.06
Holborn Japanese Tst.	103.8	113.6	-4.1	0.05
Holborn N. Amer Tst.	60.6	66.8xd	-0.7	0.73
Holborn Premier Inc.	45.2	47.5	-0.7	7.93
Holborn Sm Cos Tst.	53.9	57.9xd	+2.6	2.01
Holborn Spec Sits Tst.	64.4	68.9	+3.3	2.12
Holborn UK Growth Tst.	78.0	83.8	+3.0	2.23

Quilter Management Co Ltd
31-45 Gresham Street, London EC2 — 01-600 4177

Quadrant Gen. Fd.	477.7	505.5xd	—	2.42
Quadrant Income	254.6	269.5	—	4.91
Quadrant Intl. Fund	314.5	332.9	—	1.51
Quadrant Spec. Sits.	304.0	321.7	—	1.81

Reliance Unit Mgrs. Ltd
Reliance House, Tunbridge Wells, Kent — 0892 510033

British Life	170.0	182.9	+5.9	3.72
Reliance Unit Tst (Inc)	115.5	122.8xd	+4.5	2.81
Reliance Ut Tst (Acc)	156.3	166.2	+6.1	2.81

Rossborough Fund Managers
Stildowne Ct., Tithebarn St., Liverpool. — 051-227 2030

Internat. Growth Trust	34.6	37.0	—	—

N.M. Rothschild Fund Mgmt
St Swithin's Lane, London EC4 — 01-634 2901/4

NC America (Inc)	238.1	252.0	-2.1	1.08
NC America (Acc)	240.8	256.1	-2.4	1.08
NC Inc Fd.	90.0	96.0xd	+3.3	4.77
NC Japan Fd.	166.1	176.7	+4.4	0.00
NC Major UK Cos Fd.	92.3	98.5	+2.6	2.53
NC Smlr Australasian	62.9	66.9	-0.6	0.89
NC Smlr Canadian Co's	38.5	40.9	-0.3	1.31
NC Smaller Cos	163.5	173.9	+3.7	1.66
NC Smaller European	133.5	142.0	-7.4	0.59
NC Prop.*	162.1	177.2	—	—

*Unauthorised Unit Trusts

Royal Bank of Canada Fds.

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INSURANCES

[illegible]

Continued on next page

FT UNIT TRUST INFORMATION SERVICE

Manufacturers Life Insurance Co —Contd.

Fund	Bid	Offer	+/-	Yield
Gilt-Edged Int		243.6		-
Do. Accum		301.8		-
Guaranteed Inc.		159.9		-
Do. Accum		197.9		-
International Int.		322.0		-
Do. Accum		398.7		-
Index Lk Gilt Int.		138.2		-
Do. Accum		171.2		-

Merchant Investors Assurance
Leon House, 233 High St, Croydon 01-686 9171

Fund	Bid	Offer	+/-	Yield
Property		335.0	+0.1	-
Property Pens.		457.7	+0.1	-
Equity		149.9	-0.1	-
Equity Pens.		625.2	-0.3	-
Money Market		319.2	-1.2	-
Money Mkt. Pens.		577.6	-2.2	-
Deposit		241.4	+0.0	-
Deposit Pens.		388.5	+0.1	-
Managed		239.4	-2.7	-
Managed Pens		443.2	-5.0	-
Intl Equity		244.7	-6.6	-
Do. Pens.		381.5	-10.3	-
Intl Managed		235.4	-4.7	-
Do. Pens.		335.7	-6.9	-
North American		97.2	-1.1	-
Do Pens.		109.2	-1.0	-
Far East		185.9	-7.2	-
Do. Pens.		269.8	-10.6	-
Intnl. Currency		161.3	+1.5	-
Do. Pens		215.6	+2.1	-
Index Linked		133.1	+0.7	-
S & C Managed Fd		103.1	-2.7	-
S & C Pens Mngd Fd		80.1	-2.2	-
Bell Chambers		103.2	-1.4	-
Loran & Loran		119.1	+0.1	-
Miuzo Magd Fnd		156.8	-0.4	-
Trustlink Life Funds				
Per Worldwide Rec.		114.9	-2.3	-
Per Far East Growth		195.2	-4.4	-
Per Intl Growth		114.9	-2.3	-
Per Income		125.7	-3.3	-
Per Emerging Co's		100.9	-3.4	-
Per American Growth		105.2	-2.3	-
Per European Growth		88.6	-2.9	-
Fra American & Gen.		75.9	-1.9	-
Fra Capital		128.7	-5.7	-
Fra Income		141.4	-4.9	-
Fra Intl Growth		89.3	-2.8	-
Fra Japan & Gen		140.0	-6.1	-
Fra Recovery		127.7	-5.6	-
Fra Convertible & Gilt		121.3	-2.2	-
Fra European		95.0	-4.6	-
GAR American		103.9	-1.9	-
GAR European		110.8	-3.3	-
GAR Far Eastern		125.8	-1.2	-
GAR British		114.4	+0.4	-
GAR Global		117.2	-2.8	-
GAR Special Situations		110.2	-7.4	-
GAR Smaller Co's		135.7	-8.5	-
GAR Australian		85.1	-3.3	-
HEN Managed		128.5	-3.7	-
HEN UK Growth		128.4	-6.9	-
HEN UK Income		148.1	-5.4	-
HEN American		105.2	-2.4	-
HEN Far East		140.7	-2.9	-
HEN European		128.2	-3.1	-
HEN Prime Res Prop		98.6	-0.1	-
TSB American		98.0	-3.1	-
TSB General		131.3	-1.3	-
TSB Managed		124.6	-1.3	-
TSB Pacific		133.1	-3.9	-
TSB Selected Opps		125.8	-2.0	-
FID American		81.9	-1.4	-
FID Japan		100.0	-3.0	-
FID European		97.6	-3.6	-
FID UK		101.3	-3.0	-
FID Pacific		87.2	-1.1	-
FID Intl Managed		95.9	-3.3	-
FID Int. Income		92.7	-1.4	-
FID Intl Spec Sits		112.1	-4.5	-

Municipal Life Assurance Ltd
1 Sessions Hse Sq, Maidstone ME14 1XX 0622 690555

Fund	Bid	Offer	+/-	Yield
Initial Equity	111.0	117.5	-2.5	-
Initial Managed	118.5	125.5	-1.5	-
Initial International	111.5	118.0	-3.0	-
Initial Property	97.0	102.5	—	-
Initial Manifund	108.0	114.0	—	-
Initial European	89.0	94.0	-6.0	-
Initial Five Star	102.5	108.5	-1.5	-
Initial American	86.0	91.0	-4.0	-
Initial World Images	81.0	86.0	-1.0	-
Initial Emerg. Mkts	79.5	84.0	-1.5	-
Accum. Equity	140.5	148.5	-2.5	-
Accum. Managed	151.5	160.0	-2.0	-
Accum. Intl.	132.5	140.0	-3.0	-
Accum. Property	110.0	116.0	—	-
Accum. Manifund	121.0	128.0	—	-
Accum European	95.00	100.5	-4.0	-
Accum Five Star	108.5	114.5	-2.0	-
Accum. American	91.0	96.0	-4.5	-

Norwich Union Asset Management Ltd
PO Box 124, Norwich NR1 1JS 0603 683986

Fund	Bid	Offer	+/-	Yield
NUAM Funds				
Managed Fund	46.7	49.2	+0.6	-
Stock Market Mngd Fund	43.6	45.9	+0.7	-
Equity Fund	48.1	50.7	+1.0	-
International Fund	39.6	41.7	-0.4	-
European Fund	40.7	42.9	—	-
North American Fund	35.6	37.5	—	-
Pacific Fund	47.5	50.1	-1.3	-
Property Fund	53.4	56.3	—	-
Fixed Interest Funds	51.4	54.2	-0.7	-
Index linked Sec Fund	48.6	51.2	-0.1	-
Deposit Fund	51.9	54.7	—	-
NUAM Retirement Plans				
Mixed Fund	46.4	48.9	-0.6	-
UK Ordinary Share	49.9	52.6	—	-
International Fund	38.8	40.9	—	-
Property Fund	53.3	56.2	—	-
Fixed Interest Fund	54.3	57.2	-0.1	-
Index Linked Sec Fund	49.9	52.6	+1.4	-
Deposit Fund	54.1	57.0	—	-
NUAM (MF)				
Managed Fund	634.5	667.9	+7.3	-
Equity Fund	1249.3	1315.1	+41.7	-
Property Fund	332.9	350.5	—	-
Fixed Interest Fund	379.4	399.4	-5.3	-
Deposit Fund	212.1	223.3	-0.1	-
International Fund	102.8	108.3	-1.0	-
Index Linked Sec Fund	48.6	51.2	-0.2	-

Norwich Union Life Insurance Soc.
PO Box 4, Norwich NR1 3NG 0603 622200

Fund	Bid	Offer	+/-	Yield
Pensionmaster* & Unit-Linked Plus*				
Fixed Interest Fund	271.4	285.8	+4.6	-
Index-Linked Sec Fund	139.4	146.7	+10.9	-
Ordinary Share Fund	362.4	381.4	-31.0	-
International Fund	99.5	104.7	—	-
Property Fund	165.3	174.0	—	-
Deposit Fund	169.7	178.6	—	-
Mixed Fund	258.0	271.5	-15.0	-
Norwich Units Oct 15	1047.9		—	-

*Prices as at October 30.

Pearl Assurance (Unit Funds) Ltd
252 High Holborn, London WC1V 7EB 01-405 8441

Fund	Bid	Offer	+/-	Yield
Prop. Dist. (Gross)(z)	153.9	162.1	—	-
Prop. Acc. (Gross) (z)	249.5	262.7	—	-
Equity (Gross) (z)	534.5	562.7	-13.1	-
Managed (Gross) (z)	404.0	425.3	-6.3	-
Prop. Acc. (Net) (z)	115.0	121.1	—	-
Equity (Net) (z)	129.9	136.8	-2.3	-
Managed (Net) (z)	127.8	134.6	-1.4	-
Internat'nal (Net) (z)	104.8	114.2	-3.1	-

OFFSHORE AND OVERSEAS

MANAGEMENT SERVICES

FT UNIT TRUST INFORMATION SERVICE

LONDON SHARE SERVICE

BRITISH FUNDS

1987 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
		"Shorts" (Lives up to Five Years)				
99[illegible]	97[illegible]	Treas 7¾pc 1985-88‡‡	99[illegible]	.....	7.77	8.48
102¼	99[illegible]	Exch 10½pc '88	100[illegible]	–¼	10.41	8.61
101[illegible]	98[illegible]	Treas 9½pc Cv '88	100[illegible]	–¼	9.69	8.63
97[illegible]	93[illegible]	Transport 3pc '78-88	97[illegible]	–[illegible]	3.07	6.60
101[illegible]	98[illegible]	Treas 9½pc '88	100[illegible]	–[illegible]	9.43	8.63
105[illegible]	101[illegible]	Treas 11½pc 1989	103[illegible]	–[illegible]	11.15	8.73
102[illegible]	97[illegible]	Treas 9½pc Cnv 1989	100[illegible]	–[illegible]	9.40	8.68
96¼	89¾	Treas 3pc 1989	95[illegible]	–[illegible]	3.13	5.99
104¾	99[illegible]	Treas 10½pc 1989	102[illegible]	–[illegible]	10.29	8.72
103[illegible]	98[illegible]	Exch 10pc 1989	101[illegible]	–[illegible]	9.81	8.75
105¾	100[illegible]	Exch 11pc 1989	103[illegible]	–[illegible]	10.59	8.71
96¼	89[illegible]	Treas 5pc 1986-89	95[illegible]	–[illegible]	5.21	7.24
108[illegible]	99[illegible]	Exch 10½pc Cv '89	105[illegible]	–[illegible]	9.71	7.20
111[illegible]	104[illegible]	Treas 13pc 1990‡‡	108	–1¼	12.02	8.74
106½	100[illegible]	Exch 11pc 1990‡‡	104[illegible]	–1	10.56	8.84
110[illegible]	103[illegible]	Exch. 12¼pc 1990	107[illegible]	–[illegible]	11.61	8.83
92[illegible]	84[illegible]	Treas. 3pc 1990	92[illegible]	–[illegible]	3.26	6.54
100[illegible]	93[illegible]	Treas 8¼pc 1987-90‡‡	99[illegible]	–[illegible]	8.29	8.47
105	97¾	Treas. 10pc Cv 1990	102[illegible]	–1¼	9.71	8.82
91[illegible]	81[illegible]	Exch 2½pc 1990	90[illegible]	–[illegible]	2.78	6.16
110¼	102[illegible]	Treas 11¾pc 1991	107[illegible]	–1¼	10.91	8.85
95[illegible]	87¼	Funding 5¾pc '87-91‡‡	94[illegible]	–¼	6.12	7.79
90[illegible]	80¼	Treas. 3pc 1991	89[illegible]	–[illegible]	3.34	6.31
110¼	98[illegible]	Treas 10pc Cv '91 ‡‡	105[illegible]	–1[illegible]	9.46	8.14
109¾	101[illegible]	Exch. 11pc 1991	107[illegible]	–1[illegible]	10.27	8.81
99	91[illegible]	Treas. 8pc 1991	97[illegible]	–1¼	8.21	8.76
116[illegible]	107[illegible]	Treas 12¾pc 1992‡‡	113[illegible]	–1[illegible]	11.23	8.80
106[illegible]	97[illegible]	Treas 10pc 1992	104[illegible]	–1[illegible]	9.62	8.85
99[illegible]	90[illegible]	Treas. 8pc 1992 ‡‡	97[illegible]	–1¼	8.70	10.25
108[illegible]	99[illegible]	Treas 10½pc Cv 1992‡‡	106[illegible]	–1[illegible]	9.91	8.87
86[illegible]	79[illegible]	Treas. 3pc 1992	85[illegible]	–1	3.74	8.09
115[illegible]	105[illegible]	Exch. 12¾pc '92	112[illegible]	–1[illegible]	10.88	8.92
121[illegible]	110[illegible]	Exch 13½pc 1992	117[illegible]	–1½	11.48	8.94

Five to Fifteen Years

Over Fifteen Years

BRITISH FUNDS—Contd

Undated

Index-Linked

INT. BANK AND O'SEAS GOVT STERLING ISSUES

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Building Societies

Public Board and Ind.

Financial

FOREIGN BONDS & RAILS

AMERICANS

Continued on next page

Money Market Trust Funds

Money Market Bank Accounts

UNIT TRUST NOTES

LONDON SHARE SERVICE

AMERICANS—Continued

1987 High	Low	Stock	Price £	+ or –	Div Gross	C'vr	Y'ld Gr's
39	21½	Rep NY Corpn $5	21½	–½	$1.16	—	3.1
18⅝	8¾	Rockwell Intl. $1	10¼xd	–⅛	66c	—	3.7
30⅞	16¼	Sara Lee $1	20⅞xd	+⅞	$1.00	—	2.8
11⅞	8⅞	Saul (B. F.) $1	8⅞	+¼	20c	—	1.3
27½	2¼	Southwestern Bell $1	20¾	–⅛	$2.32	—	6.5
22¼	11	Staley Continental	11	–¼	80c	—	4.2
44⅞	21¾	Sun Co. Inc. $1	27¼xd	.....	$3.00	—	6.3
42¼	22¼	TRW Inc. $0.625	24¼xd	+2¼	$1.60	—	3.8
37¾	22⅞	Tenneco $5	22⅞xd	–⅞	$3.04	—	7.6
220	149½	Do. 10pcLn Stk. 91-5	150xd	.....	10%	—	4.7
29⅝	16½	Texaco $6.25	16¼xd	.....	$3.00	—	10.6
74⅞	43¾	Time Inc. $1	43¾xd	–⅝	$1.00	—	1.3
20⅞	11	Tracor $0.33	17⅞xd	+⅛	40c	—	1.3
30⅛	15⅞	Transamerica $1	18¼xd	–⅞	$1.84	—	5.8
14⅞	1⅛	Transworld Corp $5	748p	–33	20c	—	1.5
27¼	12¼	TRINOVA Corp.	14⅞xd	–⅛	56c	—	2.2
24⅞	12⅝	USX $1	15½	+½	$1.20	—	4.5
19⅝	10⅞	Union Carbide $1	11⅞xd	–⅛	$1.50	—	7.6
37⅞	18¾	Utd. Technologies	19⅞xd	+⅛	$1.40	—	4.2
38⅝	26½	US West	28⅝	.....	$3.28	—	6.7
30⅞	17½	Waste Management $1	19⅞	+½	—	—	—
31⅞	13⅞	Whirlpool $1.0	14⅞	–½	—	—	—
37⅞	18⅞	Woolworth $3½	18⅞	+⅞	$1.32	—	4.0

CANADIANS

High	Low	Stock	Price	+ or –	Div	C'vr	Y'ld
691p	227p	ABM Gold Corp	249p	+22	—	—	—
26⅞	10p	Abbot Energy Corp.	19p	.....	—	—	—
18½	506p	Amer. Barrick Res.	806p	–44	—	—	—
136p	32p	Amer. Dalaco	34p	.....	—	—	—
141p	6p	American Lightwave	6p	–½	—	—	—
122p	33p	Armeno	44p	–2½	—	—	—
117	42½	Asquito Expln.	42½		—	—	—
19⅝	10⅞	Bk. Montreal	10⅞xd	–⅛	$2.00	—	8.1
10⅞	539p	Bk. Nova Scotia	541p	+1	72c	—	5.8
20⅝	15⅝	BCE	15⅞	+⅛	$2.40	—	6.7
10⅞	584p	Bow Valley	584p	–9	40c	—	3.0
20	10⅛	Brascan	10⅞	+⅛	88c	—	3.7
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

BANKS, HP & LEASING

[illegible]

Hire Purchase, Leasing, etc.

[illegible]

BEERS, WINES & SPIRITS

[illegible]

BUILDING, TIMBER, ROADS

[illegible]

BUILDING, TIMBER, ROADS—Cont

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

DRAPERY AND STORES—Cont.

[illegible]

ELECTRICALS

[illegible]

ENGINEERING

[illegible]

ENGINEERING—Continued

[illegible]

FOOD, GROCERIES, ETC

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS—Continued

[illegible]

INDUSTRIALS—Continued

[illegible]

INSURANCES

[illegible]

LONDON SHARE SERVICE

INSURANCES—Continued

[illegible]

LEISURE

[illegible]

MOTORS

Motors and Cycles

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

PAPER, PRINTING—Continued

[illegible]

PROPERTY

[illegible]

SHIPPING

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TEXTILES—Cont.

[illegible]

TOBACCOS

[illegible]

TRUSTS, FINANCE, LAND

Investment Trusts

[illegible]

FINANCE, LAND—Cont.

[illegible]

Finance, Land, etc

[illegible]

OIL AND GAS

[illegible]

Australians

[illegible]

OIL AND GAS—Continued

[illegible]

OVERSEAS TRADERS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

Finance

[illegible]

MINES—Continued

[illegible]

Tins

[illegible]

Miscellaneous

[illegible]

THIRD MARKET

1987 High	Low	Stock	Price	+ or -	Div Net	C'vr	Gr's	P/E
[illegible]								
62	6	Eglinton Expl.I.R.5p	15	+4	—	—	—	—
41	9	Do. Warrants	18	+1	—	—	—	—
186	65	Far East Res. 10p	68	+3	—	—	—	—
110	30	Gardner (J.) 5p	63	-2	R1.25	2.3	2.7	21.8
53	20	Honorbilt Group 5p	26	+1	—	—	—	21.9
133	56	Leading Leisure 5p	63	+7	0.9	3.1	2.0	18.2
95	60	Lynx Tech. 5p	75	+15	b—	—	—	8.6
180	88	Medlace 10p	88		—	—	—	—
98	38	Vroca Gold IR 2p	38	-3	—	—	—	—
82	17	Publishing Hldgs.5p	31	+3	—	—	—	18.6
128	85	Seacon Hldgs.	87		—	—	—	13.2
87	42	Theme Holdings	50	+8	1.8	1.9	2.7	26.8
210	195	UPL Group 10p	195		L2.41	2.8	2.4	—
140	103	Unit Group	110		4.6	2.5	5.7	(7.9)

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 27 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock".
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- ◆ Figures or report awaited.
- ♥ Not officially UK listed; dealings permitted under Rule 535(4)(a).
- ♣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Dealt in under Rule 535(3).
- # Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress.
- ◊ Not comparable.
- ◊ Same interim: reduced final and/or reduced earnings indicated.
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ‖ No par value.

B.Fr. Belgian Francs. Fr. French Francs. ¶¶ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1986-87. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1986. K Dividend and yield based on prospectus or other official estimates for 1987-88. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1985-86. N Dividend and yield based on prospectus or other official estimates for 1987. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Albany Inv 20p	73	
Craig & Rose £1	700xd	+37
Finlay Pkg. 5p	76	
Holt (Jos) 25p	£11¼	
IoM Stm. £1	235	-8
IRISH		
Fund 11¾% 1988	£100⅞	
Nat. 9¾% 84/89	£99½	
Fin. 13% 97/02	£111¾	
Arnotts	258	
CPI Hldgs	55	
Carroll Inds.	128	
Dublin Gas	40	
Hall (R. & H.)	100	-20
Heiton Hldgs.	40	
Irish Ropes	150xd	
Norish	325	
Unidare	350	

TRADITIONAL OPTIONS

3-month call rates

Industrials	p		
Allied-Lyons	40	NEI	13
Amstrad	19	Nat West Bk	65
BAT	62	P & O Dfd	65
BOC Grp	50	Plessey	20
BSR	17	Polly Peck	34
BTR	36	Racal Elect	32
Babcock	32	RHM	35
Barclays	52	Rank Org Ord	70
Beecham	52	Reed Intnl	50
Blue Circle	50	STC	30
Boots	30	Sears	16
Bowaters	50	TI	37
Brit Aerospace	50	TSB	12
Brit. Telecom	28	Tesco	18
Burton Ord	32	Thorn EMI	65
Cadburys	25	Trust Houses	25
Charter Cons.	45	T&N	26
Comm Union	34	Unilever	62
Courtaulds	45	Vickers	20
FNFC	32	Wellcome	42
Gen Accident	95	**Property**	
GEC	22	Brit Land	30
Glaxo	200	Land Securities	50
Grand Met	50	MEPC	48
GUS 'A'	125	Peachey	40
Guardian	95	**Oils**	
GKN	38	Brit Petroleum	32
Hanson Tst.	17	Britoil	30
Hawker Sidd	58	Burmah Oil	52
ICI	125	Charterhall	10
Jaguar	52	Premier	11
Ladbroke	45	Shell	125
Legal & Gen	32	Tricentrol	11
Lex Service	45	Ultramar	26
Lloyds Bank	35	**Mines**	
Lucas Inds	75	Cons Gold	125
Marks & Spencer	22	Lonrho	28
Midland Bk	45	Rio T Zinc	100
Morgan Grenfell	55		

A selection of Options traded is given on the London Stock Exchange Report Page.

LONDON STOCK EXCHANGE

Account Dealing Dates			
*First Dealings	Option Declarations	Last Dealings	Account Day
Oct 26	Nov 5	Nov 6	Nov 16
Nov 9	Nov 19	Nov 20	Nov 30
Nov 23	Dec 3	Dec 4	Dec 14

*New time dealings may take place from 9.00am two business days earlier.

Substantial advance by blue chip equities while Government bonds give ground

LONDON STOCK markets extended their recovery yesterday following President Reagan's attempts to calm the turmoil in the global financial markets. Share prices bounded ahead sharply, as a number of City analysts suggested that the worst of the market slide may be over. Equities were helped by renewed profit-taking in Government bonds, with some major funds again switching out of fixed-interest issues and back into blue chip shares.

There were welcome signs of good institutional demand for the major stocks, many of which had fallen to significant support levels on Monday night.

Trading volume was moderate, however, with a total of 39,730 bargains on the Seaq system compared with 50,000 plus during the market shakeout. Business was mostly in the market's leading stocks, with many second-line issues still dormant.

Marketmakers moved prices higher as soon as the equity market opened, sensing a continuation of the mood of optimism which sparked a strong rally during the previous session. Although the dollar had a sluggish day, a reduction of upward pressure on the pound was favourable for the major exporting issues.

Glaxo, ICI and **Bats** stood out strongly, and the bank stocks continued to forge ahead in a firm financials sector. The FT-SE 100 Index, already 38 points up before 10.00am, ended the day at 1639.3, a net gain of 65.8, and a restoration of £11.8bn in London equity values, according to Datastream. The closing level was virtually the day's best, with London encouraged by an early gain in a New York equity market curtailed by the US holiday closure.

Equities benefited both from institutional demand and from a reduced enthusiasm on the part of recent sellers. Analysts have warned that the share market would turn ahead strongly as soon as the mood changed. Yesterday morning, Mr Ian Harwood, of Warburg Securities, told his morning meeting of traders that the FT-SE Index might return to 1900 by the end of the year. Other City analysts were also quick to switch to the bull tack.

The market was also encouraged by the official clearance for the planned merger of British Airways and British Caledonian, which had been under a cloud. The revival of takeover activity, indicated also this week by the purchase of shares in Cadbury Schweppes by General Cinema of the US and by Granada's bid for Electronic Rentals, is seen as a sign of returning confidence in the marketplace.

Government bonds opened lower on the back of further selling of UK bonds in the Japanese market overnight. Far Eastern selling into the recent strength of Gilts has been a cautioning factor this week.

With the market also overshadowed by the £400m tranches of existing stocks on offer at the bank of England, prices dipped by a 1½ points. Prices closed a touch off the bottom, helped by the futures market.

Also lower were the Index-linked issues which have been rising sharply, partly in response to the Chancellor's latest inflation forecast, but also in order to keep yields in line with those on conventional bonds. IL stocks, also overborne by the new supply from the Bank, crumbled by a full point.

Life assurances made rapid progress with dealers citing a widespread stock shortage in the sector. **Legal & General** rose 22 to 260p, and **London & Manchester** 15 to 217p, the latter ahead of the proposed egm scheduled for December 2. Third quarter results from **Commercial Union** came out at £127.7m, compared with a comparable £72.2m but did not match forecasts which had ranged from around £130m to £148m but the shares moved up 24 to 317p helped by the overall market trend. **General Accident's** pre-tax profits for the same period, £180.6m, were comfortably above estimates and the shares raced up 55 to 808p. **Royal,** due to report today - Shearson Lehman are going for pre-tax profits of £271m - put on 33 to 388p.

Volume was slightly disappointing in the Brewery sector and few stocks achieved rises of double-figure amounts. Turnover in **Allied-Lyons** totalled only 2m shares but the price rose 12 to 335p while **Guinness,** 10 up at 247p, improved after advice from security house Wood Mackenzie to switch from **Whitbread;** the latter's "A" stock edged forward 3 to 272p. A similar trading pattern emerged among Regional issues where **J.A.Devenish** recovered 10 to 233p. Fresh takeover enthusiasm lifted **Greenall Whitley** 8 further to 179p while merger candidates **Matthew Brown,** 620p, and **Scottish & Newcastle,** 213p,gained around 8.

Leading Building issues perked up as institutional buyers moved in amid thoughts that the sector was due for a considerable bounce from the recent depressed levels. Suggestions that a further cut in base rates has been postponed failed to deter buyers. **Blue Circle** rallied strongly to close 21 higher at 336p, while **BPB Industries** improved 32 to 273p. **Steetley,** a particularly dull market of late, picked up 14 at 251p, while **Redland** gained 13 at 373p. Among Construction issues, **Costain** rose 20 to 234p and **Barratt Developments** firmed 8 to 150p.

ICI staged a useful rally along with other international issues and closed ⅜ point higher at £10⅞. **Wardle Storeys** picked up 40 at 430p ahead of the imminent preliminary results. **Coalite** gained 31 to 305p on revived bid hopes and **Sutcliffe Speakman** picked up 23 at 95p.

GEC were again upset by the investigation into the Marconi subsidiary and talk of a profits downgrading by a leading UK securities house and lost 8 to 172p after a turnover of 16m shares; Morgan Grenfell is forecasting that GEC's pre-tax profits for the current year- due on December 1 - will show a rise of around 15 per cent to £317m; Wood Mackenzie is going for £315m but has changed its stance on the shares from "buy" to "hold."

Plessey edged up.5 to 145p - Kleinwort Grieveson says the prospective yield of 6.5 per cent provides some support for the share price. **Ferranti** attracted widespread support, closing 6 up at 77p on a turnover of more than 6m shares. A County NatWest buy recommendation helped **Thorn EMI** rally 22 to 464p.

The stores sector remained well at the forefront of the market upturn. Among the best performers were **Next,** up 20 to 268p, **Sears,** 10 higher at 137p after Press inspired rumours of possible stake-building by Hanson Trust, and **Coats Viyella,** 25 better at 247p. **Ratners** jumped 18 to 234p reflecting recent comment and a brokers' buy recommendation. **Burton Group** edged up 8 to 228p ahead of next Thursday's interim results; County NatWest rate the shares a "buy", citing the 17 per cent discount to the sector, and are forecasting pre-tax profits of £181m against a comparable figure of £148.2m. Kleinwort Grieveson go for £180m pre-tax.

Engineering stocks had their best session for some considerable time. Leading and secondary issues both showed sizeable gains although interest was directed mainly towards first-line stocks. **TI** rose 18 to 233p and **GKN** 13 to 260p, while **Hawker Siddeley** gained 15 to 404p and **Vickers** 14 to 137p. County NatWest advice to switch from British Aerospace helped **Rolls Royce** advance 6 to 116p. Strong improvements were registered by **Powerscreen International,** 28 up at 114p, and **Hampson Industries,** 15 dearer at 53p. **Thomas Robinson** jumped 22 to 323p and **Braithwaite** 23 to 176p. News that three concerns, including the Kuwait Investment Office, had increasedtheir stakes helped **W.A.Tyzack** rise 5 to 115p.

Cadbury Schweppes, some 30 points higher on Tuesday on news that General Cinema of the US had increased its stake in the company to 18.2 per cent from around 8½ per cent via a morning "raid", closed a penny off at 221p as Cadbury made plain that the increased stake is entirely unwelcome and that it does not intend to accept any offer of involvement in management from General Cinema. **Rowntree Mackintosh,** another potential confectionery takeover candidate, gained 21 to 416p, while **Ranks Hovis McDougall** put on 21 to 285p on Goodman Fielder bid hopes. RHM's annual results are due on November 18. Publicity given to a broker's circular boosted **Northern Foods** 15 to 248p, while **Unigate,** in a market none-too-well supplied with stock, gained 11 to 271p. **Hazlewood Foods** firmed 11 to 219p in reply to the more-than-doubled half-year profits and confident statement.

Ladbroke lead the revival in the Hotel sector, rising 19 to 301p.

Better-than-expected interim results from **British Airways** and a qualified green light from Trade and Industry Secretary Lord Young for the proposed acquisition of British Caledonian by British Airways boosted the latter's shares to 147p before profit-taking shaded the price to 144p, a net gain of 19; pre-tax profits of £232m, compared with most analysts' forecasts of around £220m.

Smiths Industries also featured and rise 16 to 192p after preliminary figures showing pre-tax profits up 16 per cent at £65.7m - a shade above forecasts. **Boots,** due to announce interims on Wednesday - Kleinworts are going for £114m pre-tax - put on 6 to 230p. **BOC** jumped 27 to 333p in front of the full-year figures expected today; the general concensus is that a fourth quarter profit of around £75m will lift the full-year total to some £265m pre-tax.

Other firm features yesterday included internationals such as **Beecham,** 24 higher at 430p, **Fisons,** 21 better at 252p, **Glaxo** ⅜ up at £10⅞ and **Wellcome** 10 to the good at 304p, the last-named in front oftoday's preliminary figures.

Elsewhere, "buy" recommendations from County NatWest lifted **Cookson** 38 to 446p and **De la Rue** 12 to 379p. **Reed International** moved up 26 to 331p in the wake of a positive circular from securities house Citicorp Scrimgeour Vickers.

Reassuring advice from broking houses gave fresh impetus to **Jaguar** and the price bounded 24 to 308p amid a sharply increased trade of 5.3m shares. Wood Mackenzie suggests the group's exposure to the US dollar has been misunderstood, "at current levels they offer both exceptional value and a good defensive play should the market fall further", says analyst Robert Miller-Bakewell. Motor Components were also more cheerful and **Lucas Industries** bounced 15 to 495p while **Kwik-Fit** rallied 14½ to 152½p.

Advertising Agencies which were badly affected during the recent depression staged a technical bounce. The movement was spearheaded by **VPI,** up 35 at 173p partly in reflection of a recent seminar, and **WPP,** which rallied 33 to 338p. **Saatchi & Saatchi** returned to popularity and gained 19 to 347p while **Lowe Howard-Spink** recovered 20 to 240p.

Sentiment in the Properties was given an additional boost by an excellent set of interim results from sector bellweather **Land Securities.** The latter's shares rose 18 to 443p as the group revealed half-year profits some £3m above market estimates. **MEPC** rose 18 to 413p in sympathy. **Great Portland Estates** firmed 4 to 214p following interim profits at the top of market estimates, while near trebled half-year profits boosted **Regalian** 9 to 118p. **Phoenix Properties** gained 7 to 87p following good nine-month figures and a confident statement.

Fund management concerns welcomed more stable market conditions although buying interest was described by traders as patchy. **Mercury Asset** picked up 15 at 270p and **Johnson Fry** 25 to 135p. Elsewhere, **British & Commonwealth** recovered 25 to 300p and **Singer & Friedlander,** in which the former disclosed a stake of 8 per cent yesterday, improved 5 to 53p

The oil and gas sector got off to a shaky start but gradually picked up as the morning wore on. Crude oil prices failed to give much of a lead - Brent for December delivery hovered around $18 a barrel without showing any real confidence. But what really got the sector moving in the early afternoon was a raid on **Enterprise Oil** shares by broker BZW on behalf of **LASMO.** BZW were bidding 230p a share for up to 11.7m Enterprise shares - around 4 per cent of the latter.LASMO already own some 22.5 per cent of Enterprise, and were thought to have picked up only around 5m shares, or 2 per cent, via yesterday's purchases - a topping- up exercise, according to LASMO. Enterprise shares closed 21 up at 230p on a turnover of 10m shares while LASMO settled 22 higher at 223p, after 229p. **BP** old rose 4 to 251p and the new held at 77p after a turnover of 34m;third quarter figures from BP and **Royal Dutch/Shell** are scheduled for today. **Ultramar's** third quarter figures were well received and the shares raced up 17 to 167p.Elsewhere **Tricentrol** jumped 8 to 88p and **Clyde** 19 to 79p.

Polly Peck established the major gain among Overseas Traders, closing 28 higher at 238p. Following details of the agreed all-share merger, dealings were resumed in both **McLeod Russel** and **Kennedy Smale.** The former ended higher at 397p and the latter settled at 158p, after 168p.

The overall number of traded options yesterday was marginally higher at 27,369. Calls totalled 16,265 and puts 11,104. The FTSE contract attracted 1,142 calls and 1,012 puts. Hanson Trust calls were in demand at 2,581; puts were just 296. GEC registered 1,923 puts and 911 calls.

Traditional Options

- **First dealings Oct 5**
- **Last dealings Oct 16**
- **Last declarations Jan 7**
- **For Settlement Jan 18**

For rate indications see end of London Share Service

Stocks to attract money for the call included **Owners Abroad, Ossory Estates,BOM Hldgs, TKM, Rover Group, Butte Mining, Rutland, Premier, Polly Peck, Black's Leisure, TSB, Eagle Trust, Hawtin, Northern Foods, GEC, Stakis, Campari, Aerospace Eng., Cluff Oil, Siebe, Glentree, Dares Estates, London IT, New Eng. Props., Greenwich Res.,Bula, Dewey Warren.** A **double option in Butte Mining was recorded, but no put options.**

FINANCIAL TIMES STOCK INDICES

	Nov. 11	Nov. 10	Nov. 9	Nov. 6	Nov. 5	Year Ago	1987 High	1987 Low	Since Compilation High	Since Compilation Low
Government Secs	90.99	92.32	92.34	91.12	91.47	83.79	93.32 (8/5)	83.73 (19/10)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	95.11	95.44	95.47	94.42	94.47	88.85	99.12 (15/6)	90.23 (2/1)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary ♥	1290.0	1246.9	1232.0	1274.0	1287.9	1305.1	1926.2 (16/7)	1232.0 (9/11)	1926.2 (16/7/87)	49.4 (26/6/40)
Gold Mines	268.6	265.5	277.6	261.6	273.5	316.6	497.5 (4/8)	261.6 (6/11)	734.7 (15/2/83)	43.5 (26/10/71)
Ord. Div.Yield	4.78	4.97	5.00	4.84	4.80	4.37				
Earnings Yld. %(full)	11.88	12.32	12.42	12.04	11.93	10.09				
P/E Ratio (net)(*)	10.30	9.92	9.84	10.16	10.25	12.13				
SEAQ Bargains (5pm)	39,730	39,569	30,734	38,258	35,253	32,691				
Equity Turnover (£m)	-	1,366.55	924.66	1375.80	1270.12	1,184.32				
Equity Bargains	-	42,132	34,261	44,756	42,599	54,958				
Shares Traded (ml)	-	713.5	456.7	643.4	639.7	456.4				

S.E ACTIVITY

Indices	Nov.10	Nov.9
Gilt Edged Bargains	191.8	200.9
Equity Bargains	273.0	222.0
Equity Value	2,762.1	1869.0
5-Day average		
Gilt Edged Bargains	174.8	165.8
Equity Bargains	271.3	279.5
Equity Value	2,713.2	2837.2

♥ Opening	10 a.m.	11 a.m.	Noon	1 p.m.	2 p.m.	3 p.m.	4 p.m.
1268.8	1278.3	1285.8	1289.6	1281.9	1287.5	1290.6	1288.7

Day's High 1296.2 Day's low 1268.8

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, S E Activity 1974, * Nil=10.15.

LONDON REPORT AND LATEST SHARE INDEX: TEL. 01-246 8026

NEW HIGHS AND LOWS FOR 1987

NEW HIGHS (1).
INDUSTRIALS (1)Feedex Agricultural.
NEW LOWS (148).
AMERICANS (20) CANADIANS (8) BANKS (3) BREWERS (1) BUILDINGS (1) CHEMICALS (1) STORES (7) ELECTRICALS (8) ENGINEERING (3) FOODS (3) INDUSTRIALS (13) INSURANCE (5) LEISURE (1) MOTORS (1) NEWSPAPERS (1) PAPERS (2) PROPERTY (3) TEXTILES (2) TRUSTS (11) OILS (9) PLANTATIONS (3) MINES (43) THIRD MARKET (2).

TRADING VOLUME IN MAJOR STOCKS

The following is based on trading volume for Alpha securities dealt through the SEAQ system yesterday until 5 pm.

Stock	Volume 000's	Stock	Volume 000's	Stock	Volume 000's
ASDA-MFI	2,625	English China Clays	753	Plessey	4,100
Allied-Lyons	2,000	Enterprise Oil	10,000	Prudential	659
Amstrad	1,600	Fisons	2,200	Racal	6,700
Argyll Group	7,600	Gen. Accident	536	Rank Org.	546
Assoc. Brit. Foods	1,000	Gen. Elect.	25,000	RMC	263
BAA	1,700	Glaxo	3,300	RHM	547
BAT	5,000	Globe Investment	880	Reckitt & Col.	440
BET	2,400	Granada	1,300	Redland	2,900
BICC	1,200	Grand Met	5,500	Reed Intl.	1,600
BOC	1,300	GUS A	235	Reuters	2,200
BPB Inds	1,700	Guardian R.E.	709	RTZ	1,300
BTR	4,200	GKN	1,100	Rolls-Royce	5,400
Barclays	1,300	Guinness	5,500	Rothmans	1,100
Bass	1,000	Hammerson	76	Rowntree	609
Beecham	3,400	Hanson Trust	9,300	Ryl Bank Scotland	1,100
Blue Arrow	3,600	Hawker Sidd	575	Royal Insurance	2,000
Blue Circle	1,400	Hillsdown Hldgs	2,300	STC	1,600
Boots	6,400	IMI	1,700	Saatchi & Saatchi	838
Brit. Airways	13,000	ICI	2,700	Sainsbury	4,100
Brit. Aero	2,700	Jaguar	5,000	Scott & Newcastle	1,400
Brit. & Comm.	669	Ladbroke	2,200	Sears	3,200
British Gas	18,000	Land Securities	1,000	Sedgwick	1,700
Britoil	2,400	Laporte	336	Shell Trans	1,300
BP	4,600	Legal & Gen.	3,500	Smith & Nephew	7,100
Brit. Telecom	15,000	Lloyds Bank	2,100	Standard Chart.	422
Bunzl	2,000	LASMO	1,300	Storehouse	1,400
Burmah Oil	638	Lonrho	1,400	Sun Alliance	643
Burton	6,100	Lucas	1,100	T & N	130
Cable & Wire	4,800	MEPC	397	TSB	4,100
Cadbury Schwps	3,400	Marks & Spencer	3,900	Tarmac	1,650
Coats Viyella	1,800	Maxwell Comms.	1,100	Tesco	5,600
Comm. Union	3,600	Metal Box	1,400	Thorn EMI	2,500
Cons. Gold	313	Midland Bank	1,300	Trafalgar House	2,600
Cookson	878	NatWest Bank	2,500	T'house Forte	4,100
Country & New.T	15	Next	3,000	Ultramar	1,400
Courtaulds	1,950	Northern Foods	1,200	Unilever	2,000
Dalgety	774	Pearson	254	United Biscuits	2,300
Dee Corpn	5,500	Pearl Assurance	231	Wellcome	[illegible]
Dixons Group	3,200	P & O	960	Whitbread A	[illegible]
		Pilkington Bros	4,900	Woolworth	[illegible]

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	0	111	3
Corporations, Dominion and Foreign Bonds	5	2	28
Industrials	835	196	531
Financial and Properties	345	73	209
Oils	63	14	34
Plantations	0	0	6
Mines	4	75	74
Others	87	107	74
Totals	1,379	601	960

FT-ACTUARIES INDICES

These Indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

	EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Wed Nov 11 1987 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (27%)	Est. P/E Ratio (Net)	xd adj. 1987 to date	Tue Nov 10 Index No.	Mon Nov 9 Index No.	Fri Nov 6 Index No.	Year ago (approx) Index No.
1	CAPITAL GOODS (213)	644.06	+4.2	10.99	4.40	11.44	19.10	618.07	626.48	647.25	684.23
2	Building Materials (30)	854.52	+6.1	10.87	4.31	11.47	22.91	805.67	825.61	847.83	838.89
3	Contracting, Construction (33)	1171.77	+5.1	10.81	4.30	12.36	31.12	1115.39	1145.86	1162.80	1173.65
4	Electricals (14)	1705.49	+2.6	10.62	5.11	12.29	62.76	1661.76	1662.65	1726.31	1771.60
5	Electronics (33)	1434.59	+0.2	11.42	3.52	11.48	35.99	1432.09	1446.31	1487.25	1495.22
6	Mechanical Engineering (60)	313.84	+5.7	11.83	5.13	10.63	11.28	296.26	301.49	314.41	301.27
8	Metals and Metal Forming (7)	365.97	+4.6	10.76	4.51	11.32	11.55	350.02	348.64	366.24	344.33
9	Motors (14)	236.19	+5.4	12.88	4.90	9.02	7.31	224.05	223.31	227.54	259.57
10	Other Industrial Materials (22)	1111.89	+5.7	9.37	4.66	12.69	37.16	1051.78	1058.99	1110.54	1224.09
21	CONSUMER GROUP (183)	960.50	+4.3	8.70	3.69	14.60	21.28	920.80	919.77	948.17	949.43
22	Brewers and Distillers (21)	899.89	+2.4	11.15	4.12	11.32	17.53	878.41	877.37	891.79	970.02
25	Food Manufacturing (23)	762.50	+4.0	9.72	4.09	13.29	17.48	733.48	726.65	749.92	734.63
26	Food Retailing (17)	1935.16	+4.7	7.70	3.08	17.29	40.31	1848.05	1856.23	1916.93	1901.92
27	Health and Household Products (10)	1668.57	+4.9	6.73	2.66	17.18	27.95	1590.82	1596.93	1667.80	1514.25
29	Leisure (30)	998.49	+5.1	8.05	4.56	15.51	28.40	949.66	943.07	973.30	972.60
31	Packaging & Paper (16)	439.14	+2.7	9.49	4.11	13.88	11.22	427.56	441.72	455.69	478.09
32	Publishing & Printing (15)	2992.42	+5.0	7.28	4.87	17.36	95.15	2849.39	2896.13	2999.06	2644.30
34	Stores (35)	841.22	+4.2	8.69	3.52	15.51	18.97	807.05	796.20	812.40	871.95
35	Textiles (16)	558.58	+7.4	11.27	4.13	10.26	15.15	519.92	528.94	559.91	549.60
40	OTHER GROUPS (87)	795.95	+4.9	10.92	4.45	11.40	20.88	759.10	762.20	786.22	799.24
41	Agencies (17)	941.21	+7.3	6.64	2.41	19.78	16.91	876.89	895.85	935.90	0.0
42	Chemicals (21)	976.82	+6.1	10.09	4.71	12.12	33.18	920.61	943.03	976.74	987.05
43	Conglomerates (13)	1036.36	+6.3	9.92	4.51	11.53	22.33	975.19	998.37	1035.66	240.20
45	Shipping and Transport (11)	1618.84	+4.9	10.51	5.09	12.47	51.44	1543.55	1535.32	1594.25	1585.29
47	Telephone Networks (2)	857.74	+1.3	11.82	4.71	11.29	18.98	847.13	821.00	836.82	789.81
48	Miscellaneous (23)	1113.84	+7.2	13.48	4.23	8.85	33.20	1039.40	1059.25	1092.61	1133.84
49	INDUSTRIAL GROUP (483)	840.55	+4.4	9.87	4.07	12.76	21.08	804.87	808.02	833.57	850.45
51	Oil & Gas (17)	1583.69	+2.5	10.49	6.21	11.75	65.74	1545.18	1526.51	1584.53	1435.81
59	500 SHARE INDEX (500)	903.55	+4.1	9.96	4.99	12.60	24.93	867.65	868.93	897.24	899.76
61	FINANCIAL GROUP (120)	591.80	+4.7	-	5.26	-	20.62	565.33	567.81	593.73	607.55
62	Banks (8)	615.22	+4.5	21.68	6.33	6.10	25.98	588.95	586.66	605.72	662.98
65	Insurance (Life) (8)	867.63	+4.5	-	5.30	-	32.56	830.54	821.55	868.30	853.37
66	Insurance (Composite) (7)	483.96	+6.5	-	5.69	-	18.69	454.26	453.21	483.50	452.96
67	Insurance (Brokers) (8)	772.64	+7.2	14.37	7.41	8.90	38.19	720.95	709.92	744.84	1273.91
68	Merchant Banks (11)	320.12	+2.6	-	4.40	-	8.69	312.09	331.19	347.06	348.85
69	Property (49)	858.16	+3.9	5.65	3.45	22.81	16.77	826.07	829.64	865.74	798.71
70	Other Financial (29)	357.35	+4.7	10.11	4.51	12.51	11.27	341.44	349.93	369.33	355.64
71	Investment Trusts (88)	753.20	+3.7	-	3.30	-	15.94	726.15	756.11	789.32	834.46
81	Mining Finance (2)	352.66	+4.7	12.89	4.84	8.74	12.77	336.91	344.15	364.13	344.81
91	Overseas Traders (10)	835.54	+3.6	10.94	5.84	10.71	36.40	806.88	834.34	870.26	772.21
99	ALL-SHARE INDEX (720)	817.83	+4.2	-	4.50	-	23.48	784.81	787.64	815.68	828.86

	Index No.	Day's Change	Day's High	Day's Low	Nov 10	Nov 9	Nov 6	Nov 5	Nov 4	Year ago
FT-SE 100 SHARE INDEX ♦	1639.3	+65.8	1640.3	1597.5	1573.5	1565.2	1620.8	1638.8	1688.1	1654.5

FIXED INTEREST

	PRICE INDICES	Wed Nov 11	Day's change %	Tue Nov 10	xd adj. today	xd adj. 1987 to date
	British Government					
1	5 years	124.18	-0.77	125.14	-	10.03
2	5-15 years	143.18	-1.43	145.26	-	12.14
3	Over 15 years	151.40	-1.44	153.62	-	12.41
4	Irredeemables	168.85	-2.47	173.12	-	13.35
5	All stocks	139.22	-1.24	140.97	-	11.56
	Index-Linked					
6	5 years	124.93	-0.35	125.37	-	2.18
7	Over 5 years	115.33	-0.93	116.42	-	2.89
8	All stocks	115.96	-0.88	116.98	-	2.82
9	Debentures & Loans	119.44	-1.08	120.75	-	9.94
10	Preference	84.73	+1.06	83.83	-	5.74

	AVERAGE GROSS REDEMPTION YIELDS		Wed Nov 11	Tue Nov 10	Year ago (approx.)
	British Government				
1	Low	5 years	8.39	8.08	9.84
2	Coupons	15 years	8.99	8.82	10.56
3		25 years	8.96	8.82	10.57
4	Medium	5 years	8.96	8.62	11.34
5	Coupons	15 years	9.22	9.02	10.90
6		25 years	9.17	9.01	10.52
7	High	5 years	9.02	8.60	11.38
8	Coupons	15 years	9.33	9.12	11.08
9		25 years	9.17	8.97	10.59
10	Irredeemables†		8.77	8.49	10.32
	Index-Linked				
11	Inflation rate 5%	5yrs	2.43	2.31	4.27
12	Inflation rate 5%	Over 5 yrs	3.94	3.87	3.85
13	Inflation rate 10%	5 yrs	2.64	2.51	2.92
14	Inflation rate 10%	Over 5 yrs	3.98	3.92	3.70
15	Debs &	5 years	10.75	10.64	11.58
16	Loans	15 years	10.67	10.51	11.58
17		25 years	10.67	10.51	11.58
18	Preference†		10.71	10.82	11.51

LONDON TRADED OPTIONS

LONDON RECENT ISSUES

EQUITIES

FIXED INTEREST STOCKS

RIGHTS OFFERS

WORLD STOCK MARKETS

AUSTRIA

November 11	Price Sch %	+ or –
Creditanstalt	1,850	–50
Goesser	2,470	–100
Interunfall	11,200	–50
Jungbunzlauer	6,550	–330
Laenderbank	325	+6
Perlmooser	570	+15
Steyr-Daimler	113	—
Veitscher Mag	605	–30

BELGIUM/LUXEMBOURG

November 10	Price Frs.	+ or –
B.B.L.	2,320	–70
Banque Gen. Du L.	13,600	–100
Bank Int. A	13,200	–100
Bekaert B	7,400	–200
Ciment CBR	4,100	–220
Cockerill	128	–9
Cobepa	6,500	–240
Delhaize	2,900	–250
EBES	4,290	–110
Fabrique Nat	760	–90
GB Inno BM	780	–4
GBL (BruxL)	2,560	–110
Generale Bank	4,340	–55
Gevaert	5,720	–400
Hoboken	5,700	–200
Intercom	3,500	–50
Kredietbank	3,150	–150
Pan Holdings	11,100	–150
Petrofina	8,930	–470
Raffinerie Tirle	1,280	–66
Royale Belge	4,500	–100
Soc Gen Belge	2,190	–115
Sofina	9,300	–120
Solvay	9,850	–750
Stanwick Intl	450	—
Tractebel	3,470	–280
UCB	7,400	–100
Wagons Lits	5,340	–125

GERMANY

November 11	Price Dm.	+ or –
AEG	182	+15.5
Allianz AG	985	+58
BASF	242	+5.5
Bayer	256.8	+9.8
Bayer-Hypo	315	+15
Bayer-Verein	318	+27
BHF-Bank	344	+1
BMW	420	+37
Brown Boveri	284	+4
Commerzbank	224	+5
Cont'l Gummi	198	+9
Daimler-Benz	608	+10
Degussa	310	+13
D'sche Babcock	155	+17
Deutsche Bank	429.5	+27.5
Dresdner Bank	235	+12
Feldmuehle Nobel	230	+15
Henkel	479	+19
Hochtief	560	–20
Hoechst	240.3	+13.5
Hoesch Werke	96	+1
Holzmann (P)	265	+7
Horten	167	+7
Husel	387	+37
Karstadt	443	+44
Kaufhof	407.9	+21.9
KHD	93	+21
Kloeckner Werke	93	–4
Linde	490	–10
Lufthansa	108	+2
MAN	120	+9
Mannesmann	111	+2.5
Mercedes Hld	509	+24
Metallgesell	208	+13
Munich Rueck	1,100	—
Nixdorf	590.5	+22.5
Porsche	527	–18
Preussag	124	–2
Rhein West Elect	218.5	+6
Rosenthal	180	–3
Schering	370	+20
Siemens	384	+6
Thyssen	102.7	+2.7
Varta	224	–1
Veba	265	+12
V.E.W.	140.5	–3

SPAIN

SWEDEN

DENMARK

FINLAND

FRANCE

ITALY

NETHERLANDS

NORWAY

SWITZERLAND

AUSTRALIA

AUSTRALIA (Continued)

HONG KONG

JAPAN

JAPAN (Continued)

SINGAPORE

SOUTH AFRICA

NOTES — Prices on this page are as quoted on the individual exchanges and are last traded prices.

CANADA

TORONTO
Closing prices November 11

MONTREAL
Closing prices November 11

Indices

NEW YORK-DOW JONES

STANDARD AND POORS

N.Y.S.E. ALL COMMON

TORONTO

OVER-THE-COUNTER *Nasdaq national market, closing prices*

Continued from Page 43

NEW YORK-ACTIVE STOCKS

Tuesday	Stocks traded	Closing price	Change on day
General Electric	2,498,500	43⅞	– ⅞
AT&T	2,342,100	28⅜	– ¼
IBM	1,959,900	117⅜	– ⅜
American Express	1,748,000	22⅝	– 1⅝
Glaxo Holdings	1,685,400	18¼	+ ¼
Exxon	1,587,900	39⅝	– ½
Duke Power	1,473,800	45⅞	– ⅜
Eastman Kodak	1,447,900	48⅜	– 1⅛
Unisys Corp	1,320,100	29⅝	– ⅞
Dupont	1,304,800	82⅝	– 3¼

TOKYO – Most Active Stocks
Wednesday, November 11, 1987

	Stocks Traded	Closing Prices	Change on Day
Nippon Steel	36.86m	401	– 6
Hitachi Ltd	24.06m	1,130	+ 10
Kawasaki Steel	18.66m	315	– 5
Toshiba	14.48m	630	– 15
Sumitomo Metal	11.76m	278	– 6
Mitsubishi Heavy Ind.	10.92m	590	– 11
Nippon Kokan	10.45m	318	– 6
Fujitsu	10.15m	1,100	+ 20
Matsushita Elec Ind	8.80m	1,850	+ 70
NEC	7.94m	1,890	+ 20

LONDON Chief price changes
(in pence unless otherwise indicated)

RISES:

BAT Inds	445	+36
BOC Group	333	+27
BPB Inds	273	+32
Blue Circle Inds.	336	+21
British Airways	144	+19
Comm Union	317	+24
Cookson Group	446	+38
Enterprise Oil	230	+21
Gen Accident	808	+55
Jaguar	308	+24
Johnson Fry	135	+25
Legal & General	260	+22
LASMO	223	+22
Polly Peck Intl	238	+28
RHM	285	+21
Ratners Group	234	+18
Rowntree	416	+21
Sears	137	+10
TI Group	233	+18
Tricentrol	88	+ 8
VPI	173	+35
Vickers	137	+14
WPP Group	338	+33

FALLS:

Exch 15% 1997	£135½	–2⅛
Tr 2½% IL 2011	£103⅝	–1⅛

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

12 Month High	Low	Stock		Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
25⅝	14¾	AAR	s	.36	2.0	19	140	18	17¼	17¾	+¼
32½	17½	AFG	s	.16	.6	8	674	25	24	24⅝	+¾
27	10½	AGS	s			12	249	14⅜	14⅛	14⅛	−⅜
10½	6½	AMCA					2	6⅞	6⅞	6⅞	+⅛
9⅝	3¼	AM	Intl			42	2981	5	4⅝	4⅝	−¼
65½	29½	AMR				9	3306	34½	32	32½	−1½
27½	24⅞	ANR	pf 2.67		10.		4	25¾	25¾	25¾	+½
12¼	6⅝	ARX	s			7	189	7	6½	7	+¼
73½	34½	ASA		2a	4.4		532	45⅞	45⅛	45⅛	+⅛
22⅝	9½	AVX				17	96	13⅝	13	13⅝	+½
67	40	AbtLab		1	2.1	16	3946	48	46½	47¾	+2⅜
29	15⅞	AbitiBi g					25	16⅞	16⅞	16⅞	+¼
16¾	9	AcmeC		.40	4.0	10	227	10¼	10	10⅛	+⅛
10½	6⅛	AcmeE		.32b	4.3	25	3	7⅜	7⅜	7⅜	+⅛
23¼	16½	AdaEx		3.30e	18.		140	17⅞	17⅝	17⅞	+⅜
19½	7¾	AdmM	s	.24	2.5	8	61	9¾	9¼	9¾	+¼
35	14⅝	AdvSys				17	1062	26	25¼	25½	
24⅞	9½	AMD					2936	10⅝	10⅛	10¼	+½
56¾	30½	AMD	pf	3	9.8		228	31	30⅝	30¾	+⅛
11⅞	4¾	Adobe					911	5	4¾	4⅞	−⅛
20½	15⅜	Adob	pf 1.84		11.		39	17	16⅝	16¾	+¼
21⅞	17	Adob	pf 2.40		12.		12	18⅞	18⅝	18¾	+⅛
15	6⅛	Advest		.12a	1.5	6	64	8⅛	7⅞	8⅛	+¼

Continued on Page 43

NYSE COMPOSITE CLOSING PRICES

Continued from Page 42

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
40	18	Petrie	.70	3.3	14	978	21 1/8	20 3/4	21 1/8	+1/8
21 1/4	15 1/2	PtPax n	.2	12.	12	324	16 7/8	16 5/8	16 5/8	+1/4
33 1/2	23 1/8	PetRs 2.37e		9.9		36	24 1/4	23 7/8	23 7/8	−1/4
20	15	PetRs pf1.57		9.8		34	16 1/8	15 7/8	16	+1/8
2 1/8	1	PrVw	.12e	8.7		13	1 3/8	1 1/4	1 3/8	
77	40	Pfizer	1.80	3.6	12	3681	50 1/8	49	49 7/8	+1/2
56	17 5/8	PhelpD	.80	1.5	19	5818	39 1/4	37 1/2	38 7/8	+1
74	37	PhlpD pf	3	5.6		295	54 1/4	53 3/8	53 3/4	+3/4
26	16 5/8	PhilaEl2.20		11.	9	2385	19 1/2	19 3/8	19 1/2	+1/8
45 1/2	34	PhE	pfA3.80	9.5		z300	40	40	40	+1
49	37 1/2	PhE	pfB4.30	10.		z10	41 1/2	41 1/2	41 1/2	+1/2
97 1/8	69	PhE	pfG8.75	11.		z134077		75 1/2	77	
106	86	PhE	pfS9.50	10.		z200	90 1/2	89	90 1/2	+2 1/2
13 7/8	11	PhE	pfR1.41	11.		12	12 3/8	12 1/4	12 3/8	
13 1/4	9 7/8	PhE	pfP1.33	12.		108	11 3/8	11 1/4	11 1/4	−1/8
88 3/8	65 3/8	PhE	pfH7.85	11.		z11007	4 1/2	72	73 1/2	−1
12 7/8	9 3/4	PhE	pfO1.28	12.		56	11 1/2	11 1/8	11 1/8	−1/8
120 1/2	110	PhE	pfM15.25	14.		z460	112	111 1/2	111 1/2	−2 1/2
108	79	PhE	pfK9.50	12.		z570	82 1/2	81 3/4	82 1/2	+1
88	64	PhE	pfJ7.80	11.		z600	72	70 1/2	72	+1/4
19	12 7/8	PhilSub	.94	6.4	14	46	14 5/8	14 1/4	14 5/8	+1/8
126 1/2	66 1/2	PhilMr	3	3.5	12	10066	86 1/2	85 1/8	86 1/2	+1/4
23 7/8	12 1/2	Philpin	.44	3.0	10	49	14 5/8	14 1/4	14 5/8	+1/4
27 7/8	13 3/8	PhilGl	.80e	5.0	7	644	16	15 1/2	16	+1 1/2
18 3/4	10	PhilPet	.60	5.3		4636	11 1/2	11 1/8	11 3/8	+1/4
24 3/4	22 3/8	PhlPt	pf3.73e	7.3		10	23 3/8	23 1/2	23 5/8	
26 1/2	7 1/2	PhlVH	s .28	3.1	7	30	9 3/8	9	9 1/8	+1/8
13 1/2	3	Phlcorp				246	3 3/8	3	3 1/4	
26 1/4	18	PiedNG1.32		6.8	9	208	19 3/4	19 1/2	19 1/2	−3/8
14 5/8	4 3/4	Pier 1	.06	.9	9	636	7 1/4	6 3/4	6 3/4	−1/2
9 1/2	5 1/4	PilgRg	.27e	4.6		322	6	5 7/8	5 7/8	
15 3/8	5 3/8	PilgPr	.04e	.7	6	142	5 3/8	5 1/2	5 1/2	
49 7/8	28	Pillsbry	1	3.3	14	4162	32	30 3/4	30 3/4	−3/8
32 3/4	26 3/8	PinWst2.80		10.	8	737	27 7/8	27 3/8	27 3/8	−1/4
45 1/4	22 1/4	PionrEL25r		.8	45	2	32	32	32	+1 7/8
50 3/4	29 5/8	PitnyBw76		2.2	14	935	34 1/4	33 7/8	33 7/8	+1/4
193	130	PitnB pf2.12		1.6		13	136	136	136	−7 3/4
18 7/8	9 1/2	Pittstn			31	585	10 3/8	10	10 3/8	+1/4
21 3/8	10 7/8	PictD gn.20				2855	11 5/8	11 1/8	11 1/2	+3/8
33 3/4	16 1/4	PlainsP.06e		.2	43	44	21 1/4	21	21	+1/4
26 3/4	11 1/2	Plasitrn	.16	1.1	9	97	14 5/8	14	14	+1/4

[illegible]

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
58 3/4	52 1/2	Xerox	pf5.45	10.		35	54 1/4	54 1/4	54 1/2	+1/4
31 1/2	18 3/4	XTRA	.64	2.9	10	6	22 3/8	22	22 3/8	+3/8
28 1/4	19 1/2	XTRA	pf1.94	9.2		25	21 1/2	21	21	−3/4
33 7/8	18 1/8	Yorkin			9	88	22 1/4	21 1/2	22 1/4	+1/4
7 1/4	2 1/4	Zapata				182	3 1/4	3	3 1/8	+1/8
37	14 3/8	Zayre	.40	2.1	7	3614	20 1/4	18 3/4	19 1/8	−1/2
18 3/8	8 1/4	Zemex	.40	4.1	9	3	9 7/8	9 7/8	9 7/8	+1/8
35 3/8	10	ZenithE				1086	13 7/8	13 1/2	13 1/2	−1/8
13 1/2	3 1/8	ZenLab				371	4 3/8	4 1/4	4 1/4	
26 1/2	13 1/2	ZenNS	.80	5.0	9	65	16 1/8	15 3/4	15 7/8	
20 3/8	11 5/8	Zero	.36	2.7	13	374	13 1/2	12 7/8	13 1/2	+1/2
30 3/4	16	Zurmin s	.56	3.6	12	249	16	15	15 3/4	+7/8
10 3/8	7 3/8	Zweig	.55e	7.5		693	8 1/2	8 1/4	8 3/8	+3/8

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E-price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls - sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE CLOSING PRICES

[illegible]

OVER-THE-COUNTER *Nasdaq national market, closing prices*

[illegible]

Continued on Page 41

FINANCIAL TIMES

WORLD STOCK MARKETS

AMERICA

Budget worries trim early advance

WALL STREET

IN LIGHT Veterans' Day holiday trading, Wall Street shares posted modest gains yesterday, *writes Roderick Oram in New York.*

However, most investors waited on the sidelines to see how bond *and foreign exchange markets,* closed for yesterday's holiday, will react to the US's September trade deficit due to be released this morning.

The Dow Jones industrial average closed up 21.05 points at 1,899.20, its first rise in four sessions. It had been up more than 30 points for most of the morning but drifted lower after Washington failed to deliver any encouraging news on the federal budget talks.

Broader market indices followed a similar trend in light trading. The Standard & Poor's 500 closed up 2.90 at 241.90 and the New York Stock Exchange composite index rose 1.41 to 135.47. NYSE volume was 148.6m, the lightest session since October 12, with 985 issues rising and 583 falling.

After the close, US exchanges said they would return to a 4pm close today for the first time in three weeks. Trading hours had been shortened to dampen volatility and to relieve the paperwork backlog created by the October crash.

The takeover arena was unsettled yesterday by the failure of Salomon Brothers and Goldman Sachs to launch a junk bond issue to help finance the leveraged buyout of Southland, the 7-Eleven convenience stores chain. Southland rebounded $2½ to $54 after falling *more than $18 late on Tuesday* after the news had broken.

Other takeover candidates were generally lower, reflecting concern that it would be harder for raiders to raise takeover money. Santa Fe Southern Pacific fell $2⅝ to $49¼, Telex fell $1 and Singer dropped $⅝ to $47½ although CNW edged up $½ to $23⅞.

CBS edged up $¼ to $165¼. It had dropped earlier after it had said its board had yet to decide whether to sell its records division to Sony. Market rumours had earlier suggested it was about to announce the sale to the Japanese consumer electronics group. Sony's American Depository Receipts rose $⅝ to $29⅞.

Cray Research dropped $4½ to $66⅞ after a senior executive said the company's forecast of 15 per cent revenue growth in 1988 was "on the high side." Shares in the manufacturer of supercomputers has fallen rapidly since it lost in September its chief designer after it halted development on a major family of machines.

Airline stocks were mixed following the first release of figures on flight delays by the Department of Transportation. The data will be issued regularly to help travellers choose their routes and carriers. Pan Am, which had the highest percentage of late flights, slipped $⅛ to $3⅛. *AMR, parent of American Airlines* which had the best record, fell $1⅛ to $32⅛.

Among other airlines, Texas Air, which announced substantial layoffs at its loss-making Eastern Airlines subsidiary, added up $12⅛. NWA, parent of Northwest, lost $⅝, Delta Air Lines slipped $⅜ to $37⅛ and USAir edged down $⅛ to $31⅛.

Fireman's Fund, the insurance company spun off by American Express, fell $½ to $28⅞. It approved a shareholders rights plan to help protect itself from hostile takeovers.

McDermott International lost $½ to $17⅞. The offshore oil and gas driller reported a second-quarter loss of $307.8m which included a $285m loss from trading in the government bond market.

AT & T, up $⅜ to $28⅞, has accelerated expansion plans for its worldwide long-distance digital telecommunications network at the cost of $3bn a year. Its two main rivals in the US, which also have been spending heavily on digital equipment, were mixed yesterday. MCI fell $1⅞ to $39 and US Sprint's parents, GTE and United Telecommunications, edged up $⅛ to $35⅞ and added $⅛ to $24⅞, respectively.

Warner-Lambert soared $5 to $69 after tests by the Helsinki Heart Institute of its Lopid anti-cholesterol *drug had produced better results* than expected.

Interest rate futures continued to trade yesterday even though the cash markets were closed. In Chicago, the December contract for Treasury bonds was down about ¼ of a point in thin trading.

CANADA

TAKING A LEAD from Wall Street's gains, stocks in Toronto staged a broad advance building on early rises.

Energy issues were mostly higher. Texaco Canada firmed C$⅛ to C$25½ and Imperial Oil class A gained C$¾ to C$56¼. Gulf Canada Resources, which posted a rise in first quarter earnings, rose C$¼ to C$16½.

Among gold issues, International Corona rose C$⅝ to C$44¼, Placer Dome gained C$½ to C$15⅛ and Giant Yellowknife advanced C$1¼ to C$19¼.

ASIA

Late buying spree pares steep fall

TOKYO

LIGHT SELLING dragged equities down sharply in Tokyo yesterday, but late buying by big securities houses helped the bellwether index to close above 20,000, *writes Shigeo Nishiwaki of Jiji Press.*

The Nikkei average tumbled 649.70 points to end at 21,036.76 on a volume of 556.90m shares, up from the previous day's 392.21m shares. Falls outweighed rises by 839 to 96, with 60 issues unchanged.

The index opened 71 higher on President Reagan's remark that a further fall in the dollar would be unwelcome. Prices later fell swiftly, however, on broad, small-lot selling by individual investors and non-residents, with the market unable to shake off pessimism over the US currency.

The fall prompted major brokerages to buy amid concern that the Nikkei average's slide below 20,000 would throw the market into confusion and resulting in a sluggish second sale of Nippon Telegraph and Telephone (NTT) shares.

High-techs rallied strongly minutes before the close. Hitachi, second busiest with 24.06m shares traded, rose Y10 up at Y1,130 after shedding Y40 at one point. Matsushita Electric Industrial improved Y70 to Y1,950 after slipping Y50, while NEC Corp. ended up Y20 at Y1,800 after dropping Y60.

Large-capitals also recovered in late trading. Nippon Steel, again the most active in trade of 36.96m shares, closed Y6 down at Y401 after dipping Y19 at one stage, while Kawasaki Steel ended Y5 down at Y315 and Sumitomo Metal Industries Y6 down at Y278.

Securities houses tumbled on concern over volatile market movements and their losses in the bond market.

Nomura Securities skidded Y240 to Y2,880, falling below a year's low of Y2,900 hit last January, Nikko Securities fell Y80 to Y1,550 and Daiwa Securities Y15 to Y1,840. Other financials also weakened, with Mitsubishi Bank losing Y150 to Y2,500.

Consumer demand-linked electric powers, property issues and constructions all lost ground, with Tokyo Electric Power slumping Y100 to Y6,200, Mitsubishi Estate Y100 to Y1,960 and Taisei Corp. Y57 to Y930.

NTT continued to attract strong interest, closing Y40,000 down at Y2.61m after gaining Y40,000 to Y2.68m at one stage, on strong institutional buying. Turnover was 2,417 shares.

Bonds remained volatile, with dealers and institutions awaiting the announcement of September US trade figures.

The yield on the benchmark 5.1 per cent government bond maturing in June 1996 declined from the previous day's 4.720 per cent finish to 4.650 per cent in morning trading on buying by trust banks and other end-investors. But it closed at 4.820 per cent after soaring to 5.000 per cent at one point on profit-taking by city banks.

On the Osaka Securities Exchange prices plunged steeply on the uncertain outlook for exchange rates, with the OSE stock average slipping 697.40 points to 21,449.90. Turnover rose by 1.6m shares to 41.00m shares from the previous session.

SOUTH KOREAN share prices drifted lower for the second successive session as disappointment spread over government moves earlier this week to revitalise the stock market.

The composite stock index, which fell 8.31 points on Tuesday, lost a further 5.79 to close at 484.24. The index rose 15.92 on Monday after the Government lifted a prohibition installed in April on share purchases by institutional investors.

Trading volume yesterday hit 3.84m shares against 3.74m shares on Tuesday.

HONG KONG

SHADOWING the early falls and late recovery in Tokyo, Hong Kong ended mixed in quiet trade. The Hang Seng index closed up 2.94 at 2,046.18.

Properties starred, with New World Development 5 cents higher at HK$6.15 and Hongkong Land 25 cents up at HK$6.60. Hongkong Electric featured in utilities, adding 5 cents to HK$7.30.

Citicorp, a leading underwriter to the Cheung Kong group's rights issue, said the cash call which closed on Tuesday had been undersubscribed by almost 100 per cent. Cheung Kong closed steady at HK$6.60 against an offer price of HK$10.40. Hutchison Whampoa was also steady at HK$7.05 against an offered HK$11.20.

AUSTRALIA

WIDE SELLING sustained the steep fall in Sydney share prices as the market hit a 15-month low in thin trade. The All Ordinaries index fell 53.7 to 1,150.0, a 4.5 per cent drop.

Entrepreneurial stocks were savaged by news that Australian Ratings had downgraded many groups' credit ratings. Bell Group plunged 65 cents to A$1.50, while IEL lost 15 cents to A$1.80. Ariadne, ex a 5.5 cent dividend, plummeted 22 cents to 40 cents. *News Corp fell another 90 cents* to A$8.60.

Golds also took a beating, with Kidston 69 cents off at A$3.45.

SINGAPORE

EDGY selling, notably from overseas investors, cut a further 3 per cent from Singapore prices despite modest buying by local institutions. The Straits Times industrial index fell 23.86 to 780.83.

Blue chips marked the sharpest falls, led by banks. DBS eased 30 cents to S$8.60 and Malayan Banking 24 cents to S$3.94. OCBC gave up 20 cents to S$6.65 and OUB drifted 18 cents off to S$3.24.

Among other falling qualities Fraser and Neave lost 25 cents to S$7.85, Genting and Inchcape both fell 16 cents to S$3.82 and S$2.84 in turn and SIA weakened 15 cents to S$8.85.

Stefan Wagstyl in Tokyo examines unspoken co-ordination to steady the market

Tokyo's discreet conjuring trick

THE INVISIBLE hand which supports the Tokyo stock market at moments of danger did not disappoint investors yesterday. With the Nikkei index more than 1,000 points down on the day, stockbrokers were getting worried that the plunge in prices was going out of control.

Suddenly in mid-afternoon an unexpected surge of buying orders hit the market and the index rose sharply to end a tolerable 649.70 down at 21,036.76.

Behind this magical recovery was what appeared to be a co-ordinated move by the "Big Four" Japanese stockbrokers - Nomura, Daiwa, Nikko and Yamaichi - to restore confidence.

Investment trusts affiliated to the big four and their allies simultaneously placed a stream of buy orders. At about the same time, word leaked out that the four had asked the Ministry of Finance to ease restrictions on the credit they can extend to customers.

The ministry, naturally, would not have dreamt of turning down such a request, especially after it had been so loudly whispered around the market. This is Japan; face must be saved.

Japanese stockbrokers are horrified by suggestions that such concerted action by big broking companies, supported by the ministry, amounts to manipulation. Indeed it is difficult to find a Japanese government official, broker, banker or fund manager, who will admit that it happens.

But in practice hardly a week goes by without at least one co-ordinated effort to try to influence the course of the equity, bond or foreign currency markets. And since last month's crash in world stock markets, the co-ordinators have been working overtime.

Sometimes it is the financial companies that take the initiative - led by the big four brokers.

Trader on the Tokyo exchange: send in the cavalry

At other times, it is the ministry which feels the need to intervene.

On Black Tuesday, October 21, when the Tokyo market fell by a record 3,836 points, it was the ministry which moved first - calling traders of the four brokers together. No one refused to go. After the meeting, the four securities companies bravely bought shares on their own accounts, reviving a market which had been paralysed by a virtual absence of buyers.

A week later, the ministry turned to institutional investors, calling a meeting and asking them gently to explain their plans for buying equities.

With Wall Street slowly stabilising, things began to look brighter in Tokyo last week. The Government breathed a sigh of relief, not least because it was concerned about this week's huge sale of state-owned shares in Nippon Telegraph & Telephone. But on Tuesday of this week the rapid decline of the dollar hit confidence in equities in Tokyo. The index fell 731.91 points. Something had to be done.

It is difficult to be precise about how this co-ordination works. Even though the Tokyo financial markets are being liberalised, the ministry retains great power. It is by law entitled to set limits on the level of credit stockbrokers grant to their clients, for example. Reams of regulations set controls on the activities of brokers, banks and institutional investors.

Moreover, the process of liberalisation, involving constant changes to the markets' rules, puts the ministry in a strong position to grant favours to its friends.

However, it is not merely, or even mainly, a matter of the carrot and the stick. At the heart of the ministry's ability to influence is the fact that power in the Tokyo financial community is highly concentrated. The Big Four brokers handle three-quarters of stock market turnover. There are just seven big trust banks and five large life assurance companies. It is not difficult for the ministry to call together the right people - nor for the right people to talk to each other.

Beyond this, there is the preference among Japanese institutions for consensus, or at least for avoiding open divisions. It is easy to exaggerate the extent to which this is uniquely Japanese. There are important conficts of interest within the Tokyo financial community - for example between banks and securities companies. Nevertheless, whatever the private arguments, efforts to co-ordinate action in the stock market in the past month have not been publicly challenged.

In the short-term, concerted action certainly yields results - trading did eventually restart on Black Tuesday; shares rallied late yesterday. But even in the short-term, co-ordination is not wholly effective. NTT, the share closest to the Government's heart, closed down yesterday albeit very slightly.

The longer-term impact is harder to judge. Japanese institutions have scarcely sold a share in the last month - but they neither have they been active buyers.

Mr Atsushi Ogawa, an economist at Sanwa Research Institute, says he does not know whether ministerial intervention in the stock market exists or not. But he says that if it exists it is has no long-term effect. "Nobody can beat the market," he says.

Some foreign brokers, who *watch the way the Big Four* operate every day, are not so sure. They say co-ordination has at times steadied the market and therefore spared Tokyo the worst effects of last month's crash.

The Ministry of Finance declined to comment.

City greets rise in UK equities with quiet optimism

LONDON stock markets surged ahead yesterday as City analysts hastened to swell a chorus of optimism which greeted President Reagan's assurance that the US dollar had fallen far enough, *writes Terry Byland in London.*

After standing out against the slide in other European equity centres in the previous session, the UK market sprang forward as soon as trading commenced yesterday.

The FT-SE 100 Index advanced 65.8 to 1,639.3 and the FT Ordinary index added 43.1 to 1,290.0.

London traders had been looking for some indication that the slide in equities was nearing a new base point, and took heart when the market rallied after plunging through the FT-SE 1,600 mark earlier this week.

At Wood Mackenzie, the securities arm of Hill Samuel, Mr Bob Semple said that short-term uncertainties should be resolved over the next week or so. "A major buying opportunity could be emerging," he commented.

Warburg Securities, a leading marketmaker in both shares and UK Government bonds, told clients yesterday that, "the worst is over."

The big investment institutions, which have been keeping cash out of equities over the past fortnight, began to buy shares again yesterday. Some funds took their profits out of Government bonds, which fell sharply.

Japanese funds sold UK Government stocks overnight, and London was cautious in the absence of a lead from the US bond markets, which was closed yesterday.

The strength of the rebound in equities surprised some market specialists,

EUROPE

Bargain hunters seek blue chips as dollar steadies

CHEERED by US President Ronald Reagan's remarks that the dollar had fallen far enough, European investors went bargain hunting on major bourses, lifting blue chips out of their troughs. Enthusiasm was dampened, however, as investors awaited the announcement of US trade date due today.

FRANKFURT was boosted by a brake in the slide of the dollar which gave operators a cue to begin a cut price buying operation.

The midsession Commerzbank index rose 55.5, or 4.5 per cent, to 1,276.4 and the Boersen-Zeitung index climbed 12.29, 4.8 per cent, to 265.70.

The flurry of bargain-hunting tapered off late in the afternoon as profit-taking set in and enthusiasm was quelled before today's release of US trade data.

Deutsche Bank rose DM21.50 to DM429.50, Dresdner added DM12 to DM235 and Commerzbank firmed DM5 to DM224.

Cars, badly dented by the dollar's falls, recovered some lost ground: Daimler added DM10 to DM603, VW firmed DM5.20 to DM226.50, but Porsche slipped DM18 to DM527.

Chemical BASF rose DM5.50 to DM242, Bayer added DM9.80 to DM256.80, Hoechst climbed DM13.50 to DM240.30 and Schering rose DM20 to DM370.

Electrical Siemens added DM6 to DM384 and AEG surged DM15.50 to DM182.

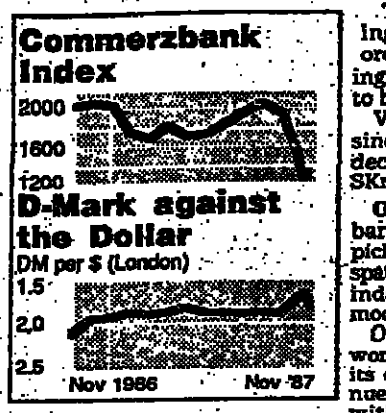
The Bundesbank bought DM102.4m of paper after buying DM91.8m on Tuesday. Its average yield of public paper rose to 6.04 per cent from 6.01 per cent.

AMSTERDAM rebounded from the opening and climbed steadily to close sharply higher after Wall Street got off to a good start.

The all-share index, which stood at a record low on Tuesday, rose by 11.5 per cent to 65.5. The weighted ANP-CBS index put on 9.7 to 201.9 but, computed at midsession, it did not reflect late advances.

Expectations of a further 0.25 point cut in official rates added to the buoyant reaction to the firmer dollar.

Blue chips had a very good day. Royal Dutch added Fl 6.40 to Fl 197 and Unilever rose Fl 8 *to Fl 98.50.*



ZURICH responded enthusiastically to the firmer dollar and rallied on active bargain hunting after Tuesday's 6 per cent fall.

Blue chips were better overall but substantial gains were curtailed by some trepidation over today's release of US trade figures for September.

Among only slightly firmer banks, Union Bank rose SFr70 to SFr3,440 and Credit Suisse added SFr145 to SFr2,470.

Brown Boveri gained SFr90 to SFr1,870 on forecasts of improved group profits in 1987.

In chemicals, Ciba-Geigy added SFr55 to SFr2,495 while Sandoz put on SFr400 to SFr10,200.

STOCKHOLM declined in afternoon trading, erasing the moderate advance before lunch. The US budget and trade deficits weighed on the market and supressed earlier optimism fuelled by an upturn in London.

The Affaersvaerlden index lost 13.1 to 608.8 or 2.1 per cent, its narrowest decline this week.

The release of statistics reporting a 9 per cent rise in new orders for Swedish industry during September lent little support to blue chips.

Volvo, which has fallen SKr34 since the start of the week, *declined a further SKr4 to* SKr232.

OSLO rose as local and foreign bargain hunters moved in to pick up low priced stocks after a spate of sharp falls. The all-share index rose 20.98 to 284.31 in moderate turnover.

Oils, which suffered due to worries over the lower dollar and its effect on North Sea oil revenue, showed the strongest gains with Saga Petroleum rising NKr18 to NKr98 and Norsk Hydro up NKr17 to NKr136.

MILAN moved higher towards the close after an eventful session which started lower and was halted for almost an hour because of a bomb scare.

The MIB index rose 9 to 670, an increase of 1.36 per cent, in active trade as domestic and foreign operators went on a selected bargain hunt but remained wary of the precarious political situation.

MADRID was taken lower by steep drops in engineerings and banks. The general index lost 4.92, or 2.22 per cent, to 216.08 in depressed, pessimistic trading.

HELSINKI posted one of its worst falls as foreign investors continued to sell off their holdings. The Unitas all-share index dropped 6.7 per cent to close at 540.2 with the sharpest falls in the industrial sector.

PARIS and BRUSSELS were closed for national holidays.

SOUTH AFRICA

GOLD and platinum issues alone managed to withstand a broad sell-off in Johannesburg in a see-saw session.

Freegold added 25 cents to R39.25 as the sector drew support from firmer bullion prices. Driefontein made up R3.50 to R67.50, while Kloof added R1.50 to R32 and Libanon R2 to R53. Vaal Reefs was R1 down at R285.

Mining financials eased slightly, with Gencor off R1.50 at R51.50, though Anglo American held at R56.50.

Diamond stock De Beers, which fell briefly to R28.25, ended a net 75 cents weaker at R28.50.

Barlow Rand led industrials downwards, losing 50 cents to R19, with South African Breweries also 50 cents cheaper at R16.25 and Sasol off 50 cents to R9.